

# BUSINESS WEEK

The billion-dollar  
companies in 1960

Page 47



## The mass media

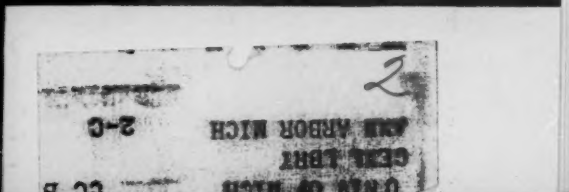
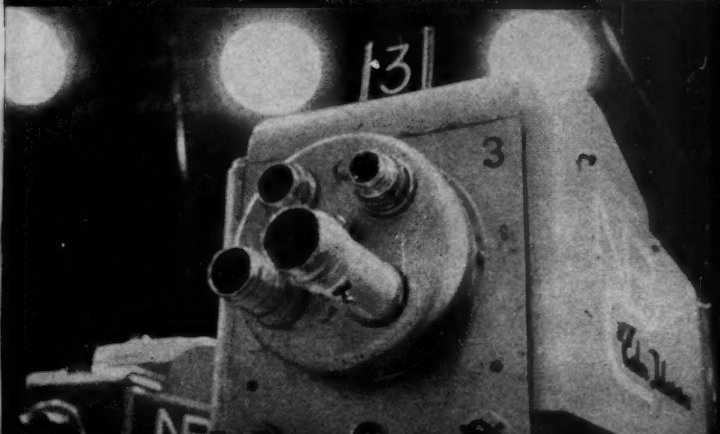
Special Report

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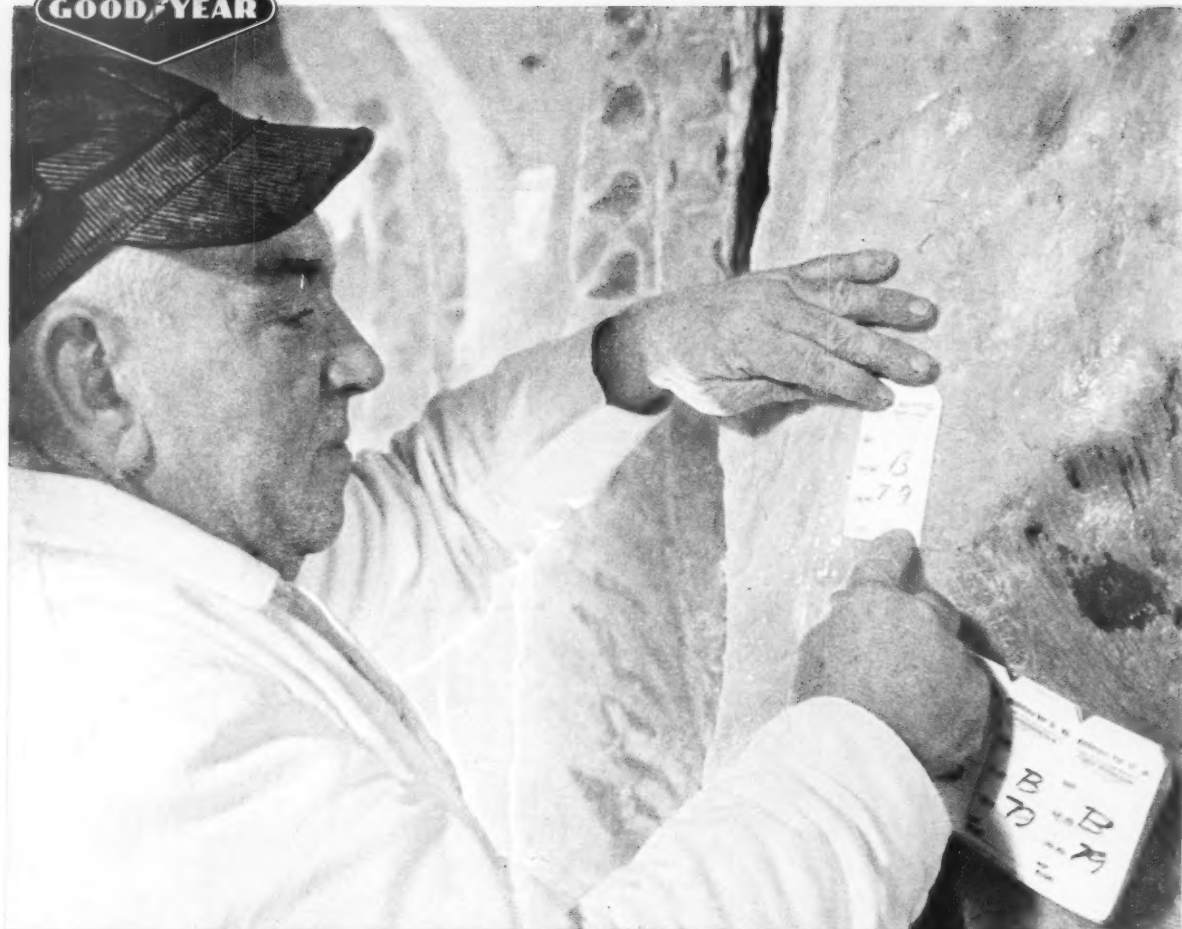
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# GOOD YEAR

**CHEMICAL DIVISION**

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May 27, 1961

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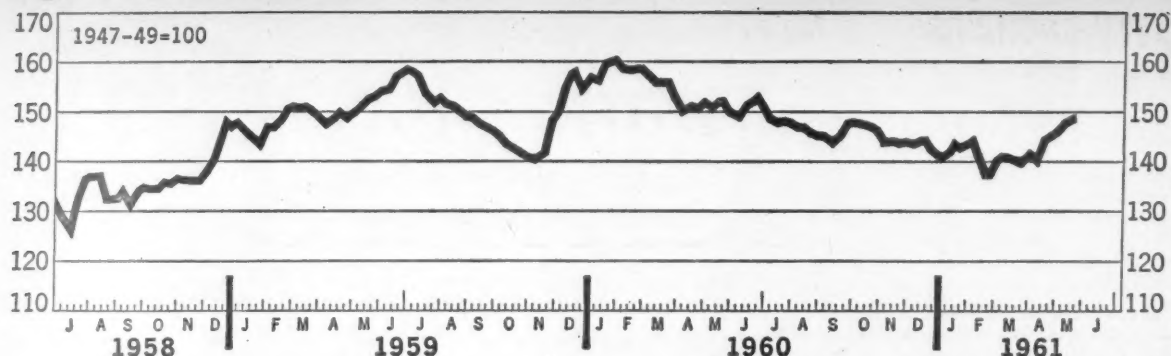
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## Figures of the week



### BUSINESS WEEK index chart

#### Production

|   | 1953-55<br>average | Year<br>ago | Month<br>ago | Week<br>ago | \$ Latest<br>Week |
|---|--------------------|-------------|--------------|-------------|-------------------|
| Steel ingot [thous. of tons].....   | 2,032              | 2,031       | 1,784        | 1,988r      | 2,037             |
| Automobiles.....  | 125,553            | 155,755     | 124,459      | 129,402r    | 125,785           |
| Engineering const. awards [Eng. News-Rec. 4-wk. daily av. in thous.]..... | \$52,412           | \$75,140    | \$75,691     | \$81,011    | \$74,554          |
| Electric power [millions of kilowatt-hours].....                          | 10,819             | 13,831      | 14,311       | 14,278      | 14,352            |
| Crude oil and condensate [daily av., thous. of bbl.].....                 | 6,536              | 6,864       | 7,245        | 7,013       | 7,061             |
| Bituminous coal [daily av., thous. of tons].....                          | 1,455              | 1,397       | 1,170        | 1,219r      | 1,238             |
| Paperboard [tons].....  | 247,488            | 325,053     | 322,181      | 319,615     | 324,167           |

#### Trade

|   |     |     |     |     |     |
|---|-----|-----|-----|-----|-----|
| Carloadings: miscellaneous and l.c.l. [daily av., thous. of cars].....  | 70  | 61  | 54  | 55  | 55  |
| Carloadings: all others [daily av., thous. of cars].....                | 47  | 46  | 33  | 36  | 37  |
| Department store sales index [1947-49=100, not seasonally adjusted].... | 121 | 134 | 130 | 140 | 157 |
| Business failures [Dun & Bradstreet, number].....                       | 198 | 313 | 320 | 368 | 303 |

#### Prices

|  |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|
| Industrial raw materials, daily index [BLS, 1947-49=100].....          | 89.2    | 93.5    | 93.6    | 93.6    | 93.5    |
| Foodstuffs, daily index [BLS, 1947-49=100].....                        | 90.5    | 77.0    | 79.2    | 77.8    | 76.9    |
| Print cloth [spot and nearby, yd.].....                                | 19.8¢   | 20.9¢   | 17.5¢   | 17.4¢   | 17.4¢   |
| Finished steel, index [BLS, 1947-49=100].....                          | 143.9   | 186.8   | 186.1   | 186.1   | 186.1   |
| Scrap steel composite [Iron Age, ton].....                             | \$36.10 | \$32.50 | \$37.50 | \$36.50 | \$36.50 |
| Copper [electrolytic, delivered price, E&MJ, lb.].....                 | 32.394¢ | 33.00¢  | 29.00¢  | 30.240¢ | 30.970¢ |
| Aluminum, primary pig [U. S. del., E&MJ, lb.].....                     | 20.6¢   | 26.0¢   | 26.0¢   | 26.0¢   | 26.0¢   |
| Aluminum, secondary alloy #380, 1% zinc [U. S. del., E&MJ, lb.].....   | ††      | 25.02¢  | 21.89¢  | 21.75¢  | 21.98¢  |
| Wheat [No. 2, hard and dark hard winter, Kansas City bu.].....         | \$2.34  | \$1.97  | \$2.05  | \$1.98  | \$1.95  |
| Cotton, daily price [middling, 1 in., 14 designated markets, lb.]..... | 34.57¢  | 32.17¢  | 31.49¢  | 31.79¢  | 31.88¢  |
| Wool tops [Boston, lb.].....   | \$1.96  | \$1.72  | \$1.75  | \$1.75  | \$1.75  |

#### Finance

|  |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|
| 500 stocks composite, price index [S&P's, 1941-43=10].....               | 31.64 | 55.73 | 65.37 | 66.83 | 66.81 |
| Medium grade corporate bond yield [Baa issue, Moody's].....              | 3.59% | 5.28% | 5.00% | 5.01% | 5.01% |
| Prime commercial paper, 4 to 6 months, N. Y. City [prevailing rate]..... | 2-2½% | 4¼%   | 2⅞%   | 2¾%   | 2¾%   |

#### Banking Millions of dollars

|   |        |         |        |         |         |
|---|--------|---------|--------|---------|---------|
| Demand deposits adjusted, reporting member banks.....                     | ††     | 58,672  | NA     | 62,246  | 61,313  |
| Total loans and investments, reporting member banks.....                  | ††     | 104,235 | NA     | 111,272 | 112,822 |
| Commercial, industrial and agricultural loans, reporting member banks.... | ††     | 32,367  | NA     | 32,988  | 33,068  |
| U. S. gov't guaranteed obligations held, reporting member banks.....      | ††     | 26,160  | NA     | 30,290  | 31,438  |
| Total federal reserve credit outstanding.....                             | 26,424 | 27,480  | 28,009 | 27,914  | 28,180  |
| Gold stock.....   | 21,879 | 19,358  | 17,390 | 17,394  | 17,403  |

#### Monthly figures of the week

† McGraw-Hill Indexes of New Orders [1950=100]

|  | 1953-55<br>average | Year<br>ago | Month<br>ago | Latest<br>Month |
|--|--------------------|-------------|--------------|-----------------|
| New orders for machinery, except electrical [seasonally adjusted]..... | 104                | 174         | 169          | 175             |
| Construction & mining machinery.....                                   | 111                | 199         | 161          | 154             |
| Engines & turbines.....  | 106                | 196         | 140          | 138             |
| Pumps & compressors.....   | 120                | 310         | 337          | 309             |
| Metalworking machinery.....  | 125                | 160         | 269          | 180             |
| New orders for machinery for export [1957=100].....                    | ††                 | 117         | 162          | 177             |

\* Preliminary, week ended May 20, 1961.

†† Not available. Series revised.

† Breakdown by product category, on request.

r Revised.

§ Date for 'Latest Week' on each series on request.

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## READERS REPORT

### Refreshingly objective

Dear Sir:

I would like to compliment your magazine and the writer of the article, "Truckers Fight Heavier Tax Load" (BW—Apr.22'61,p153) for the complete and impartial presentation of the highway tax situation.

Rarely do we find our position given the attention which this article gives to it. The author should be commended for his objectivity and fair treatment of all points of view surrounding this highly controversial matter. . . .

Walter W. Belson

American Trucking  
Associations, Inc.  
Washington, D. C.

### A firm friend

Dear Sir:

Your Special Report on Tropical Africa (BW—Apr.15'61,p56) missed the point on Liberia, one which leading world business interests have not missed.

Investment is pouring into Liberia from Western sources as never before. Long a one-product country, rubber, Liberia is now producing millions of tons of iron ore. . . .

Liberia is the site of the largest single free enterprise project in Africa, development of the \$200-million Lamco Mine. . . .

But the point your correspondent missed which foreign investors have not missed is that Liberia is free from the element referred to by your headline writer: "The African market has big risks, too—because of anti-Western attitudes, some leaning toward Communism and political unrest."

Liberia has been a firm friend of the United States throughout the 114 years of its existence as a republic. It is politically stable, solidly aligned with the free world, and unmatched in Africa in its hospitality toward, and as a safe climate for, investment.

George Padmore

Ambassador  
Republic of Liberia  
Washington, D. C.

■ In pointing up the risks foreign investors face in tropical Africa, our headline writer was referring to the area as a whole. The section on Liberia in no way suggests that it has leanings toward Communism or political unrest.



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# Business outlook

**BW**

May 27, 1961

## **New orders spur durable output**

Emphasis now is heavily on durable goods. And, for a welcome change, the news is even better than might have been hoped.

You've watched the steady rise in steel operations until the weekly outturn is once again above 2-million tons a week. You've heard of a similar upturn in aluminum. And you've seen a buoyancy in copper that resulted in two price advances in as many weeks.

These are the visible evidences of the breadth of the turnaround in inventory policy as it affects buying of basic raw materials.

After a virtually uninterrupted 12-month slide, new orders booked by factories producing durable goods now have risen for three straight months.

The rise has been just about as vigorous as in any of the other postwar recoveries; that's important in itself.

But, even more to the point, new orders have topped the value of shipments, too. That put a stop to the long pull-down of backlogs.

If you follow these figures, you know how sharply an excess or deficit of orders relative to shipments pinpoints a turn in the economy.

## **Detroit prepares for big cleanup**

Autos are playing a big part in the improved buying of metals, but this will slack off a bit soon. The auto manufacturers are planning really to clear the decks before they introduce their 1962 models.

In fact, some makes and models may be hard to come by in September.

Production schedules call for well over a million cars for May and June combined, according to Ward's Automotive Reports. But July will run below 400,000 and August less even than 1958's scrawny 180,000.

This summer's low auto output partly reflects plans for an early close-down for model changes. Mostly, though, it will be to clear stocks.

There is no tendency on Detroit's part to repeat last year's miscalculation on ability to sell off the old models. Ward's figures field stocks might go below 300,000 by the end of September.

If there should be an auto strike, delaying the start on 1962 models, dealers would be left with little to sell in October. So the companies must be betting pretty strongly against such a walkout.

## **'61 model year a disappointment**

July-August cuts in auto output will bring a subdued end to an auto year that has been anything but an exciting one.

Apparently U. S. production of 1961 models will not quite reach the 5.4-million mark—nearly one-third of which had been built before the year 1961 ever had dawned.

The current quarter, nevertheless, is turning out to be a fairly good one, with output above 1½-million against the dismal January-March total of less than 1.2-million. Then, after the up-coming bleak third quarter, big October-December sales could make all the difference.

How many new cars actually will be sold by the end of this year is a riddle whose answer is held, of course, by the consumer alone.

That answer, quite obviously, is an important one: The shape and speed

## Business outlook Continued

of business recovery will depend in no small measure on how much money the consumer spends and where he spends it.

The man in the street has yet to give the pulse-feelers any indication he is hungry for hardgoods. Yet it is also true that the pulse-feelers have been doing their groping in unpropitious times.

### Rise in incomes will help sales

Most of the soundings of consumers' spending intentions to appear so far were made in April or earlier—too early to catch any more than the very beginnings of the upturn in personal income.

Such a survey is the latest run by the Federal Reserve Board.

This sampling, made in April, asked families about their buying plans for the next six months. Slightly fewer planned to buy most types of durable goods than a year earlier (though more than in 1959).

Not so many planned to buy new automobiles and household durable goods as a year earlier. However, as has been the case in many such surveys, plans to buy used cars measured up to a year ago.

And a mildly hopeful footnote: Buying plans, which usually sag between January and April, were off less than usual this year.

Most observers now assume that, with incomes rising and jobs beginning to look more secure, people will start spending more freely (which they can do, in fact, just by reducing their recent very high rate of saving).

By the same token, there's a good chance that autos and other major durable items will increase their share of the retail dollar. But will that share rise again to what it was before the recession set in?

### Softgoods ahead of 1960 levels

Nondurables have done fairly well so far in 1961, retail volume being ever so slightly better than in the same period last year.

This means, however, that softgoods have been getting a substantially larger part of the retail dollar, for total spending is running behind by about 3½%. The loss, of course, is in sales of durables.

Here, specifically, is the way durable goods are faring at retail:

Sales of autos (new and used) and automotive products were only \$11.7-billion in the first four months this year, down from \$13.5-billion in 1960. The share of the retail dollar fell to 17½¢ from 19½¢.

Appliances and furniture this year have been getting only 4.4¢ of each retail dollar against about 4.7¢ a year ago.

If those changes don't sound like much, remember that more than 66-billion of these dollars crossed retail counters in 1961's first four months.

### Saving, services get bigger share

Services make the best showing this year in the competition for the consumer dollar (and saving, too, is running high).

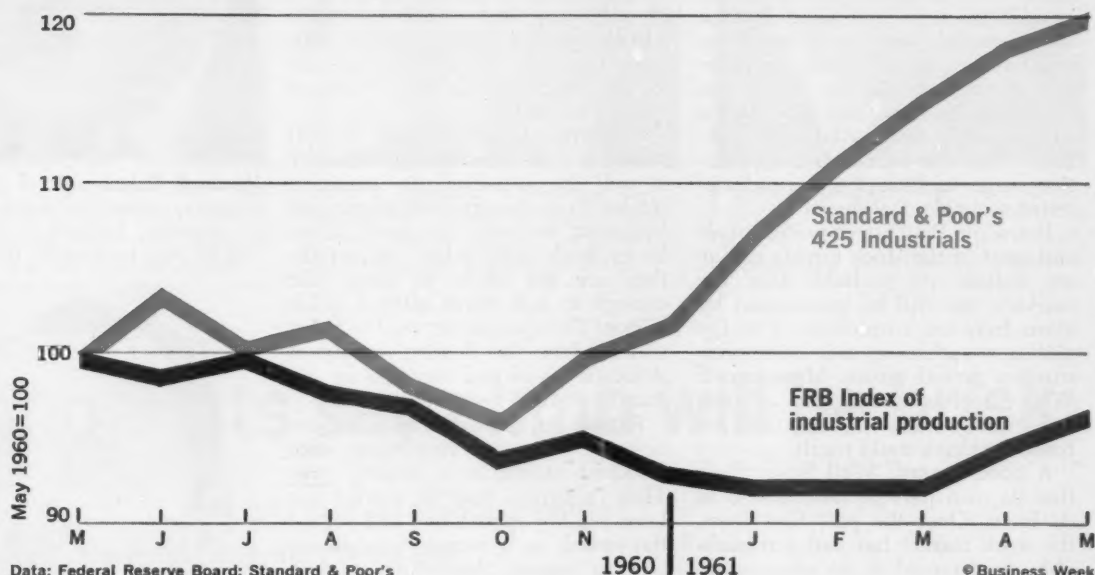
Latest government figures, which cover only the first quarter, estimate that services were getting \$136.6-billion at an annual rate. That was a new record, \$5-billion better than for all of 1960.

Savings, at the same time, were running at a yearly rate of \$28.3-billion—not quite up to the peak of \$29.2-billion in last year's third quarter, but higher than in any other period on record.

In the process, consumers have cut their installment debt by about \$1¼-billion (money that might have bought autos and appliances).

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## Wall Street bets on a boom



# Swing into cyclical

As the bull market's mood changes, investors are going heavily for the standard stocks that benefit from an upswing, moving away from speculative issues

The bull market in common stocks that got under way last November was still going strong this week, and Wall Street was talking of still higher prices. But the mood and character of the market is changing fast.

Investors, led by the big institutions, are now concentrating their attention on the "standard" stocks—the issues of companies operating in classic industrial areas. The heaviest buying is in cyclical issues—steels, autos, farm equipment—whose earnings are hard hit in recession but show big gains in boom times. In fact, investors are clearly saying that an economic boom is ahead.

**Shift in attitudes.** This represents a significant shift in investor attitudes. Heavy buying that began late last fall reflected the belief that the recession would be mild and short-

lived. But demand was strongest for the glamorous growth stocks in technological fields and for companies in recession-proof industries—foods, recreation, utilities. These were the kinds of stocks that promised to show gains in earnings even if recovery was slow and sluggish. As a result, prices of these issues soared, while the cyclical remained neglected.

Now the swing is into stocks selling at relatively reasonable prices. This switch is due in part to recognition that the growth stocks were being bid up to extreme heights. It is also being helped by warnings from Washington and in Wall Street itself against excessive speculation.

But most of all, it is based on the growing belief that a business boom, perhaps with inflationary symptoms, is in the making, and that common

stocks of industrial companies represent the best way of participating in a renewed upsurge.

The advance of the market was halted this week by a rash of unsettling news—the Supreme Court's decision in the du Pont-General Motors case, rumors of a Justice Dept. investigation of antitrust violation by American Telephone & Telegraph, poor earnings of some electronics companies. But analysts felt the market was displaying real strength in the face of this news, and felt it would solidify the trend to standard stocks.

**Follow the leader.** Institutions have been buying cyclical stocks for some time. But with cash continuing to accumulate, they have stepped up their purchases. And now the public is following suit.

There's been substantial buying of

aircraft stocks, which are expected to show good earnings because of increased defense spending. Steels are being bought now that production has picked up, along with aluminum, chemical, machine tool, and construction stocks.

Still in its early stages, this shift is taking place at a time when the market averages show stock prices at an all-time high. But most veteran analysts think that the demand for standard stocks will push the averages to new peaks far above the present levels. They feel that such a rise is much more solid and justifiable than one based on a speculative surge in little known and untested technological stocks.

But while Wall Street professionals and most of the stock buying public are bullish, it's probable that the market's rise will be punctuated by more frequent corrections. For the shift now under way may bring pressure on growth issues. Moreover, if Wall Street is wrong, and a boom fails to materialize, a sharp and extensive setback could result.

**A good record.** Wall Street feels that its own past performance is in its favor. Over the past few years, the stock market has had a remarkably good record as an advance indicator of economic conditions. In mid-1957, for example, the market averages began declining at a time when Washington and the business community were still talking of a big rise in business activity. And it started up again in April, 1958, anticipating the 1958-9 recovery.

Last year, the market hit a peak early in January and then started declining, well in advance of the downturn in industrial production. It began rising again in November, despite fears being expressed that the recession might be serious and that any recovery would be slow.

The shift into standard stocks was sparked to a considerable extent by the sharp rise registered by the Federal Reserve's index of industrial production. As one Wall Street institutional manager explains, "Investors have been bullish all along, but when they get this kind of evidence to support them, it is like a shot in the arm."

**Brake on speculation.** But the current investor demand for standard stocks was undoubtedly helped by the growing fears that the fashion for growth stocks was being overdone. Last week, after the Securities & Exchange Commission announced that it would conduct a full-scale investigation of the American Stock Exchange, many of the more speculative issues began to slide. At the same time, brokers reported a notice-

able cooling off in the demand for new issues, and there were sharp price breaks in some of the science stocks that had been heavily favored on the over-the-counter market.

Shifts in investor fashion are always going on. They are particularly marked in a bull market, simply because speculative trading always rises sharply when prices as a whole are climbing. And in recent months, speculation has been rampant, concentrating for the most part on smaller companies in new or potential growth fields.

The speculative element is still strong, but it's questionable whether it will be attracted to standard stocks. Even though institutions and long-term investors see good values in cyclical and other industrials, they are not likely to move fast enough to suit those after a quick killing. The speculators tend to favor issues where the floating supply of stocks is small and any rise in demand can lead to a big increase.

**Return to reason.** Most analysts believe that the movement into standard stocks is a healthy one. They recognize that the market has been unduly speculative and regard the switch as a return to normal—and to reason. According to S.B. Lurie of Josephthal & Co., the internal shift in the market may bring a "correction but not a collapse." As he sees it, the speculators are a "fringe element" who can create wide fluctuations in individual issues but won't affect the market as a whole.

Lurie also says that some undesirable speculation has been stimulated by corporate management rather than stockbrokers. Another broker adds: "Too many company executives are making a mistake by being stock conscious. They don't have to worry—if they have a good company the public will buy."

This view is supported by other analysts. The general feeling in Wall Street is that promoted issues take a beating, but that speculation will continue as long as a bullish atmosphere exists. Says William Kurtz of Paine, Webber, Jackson & Curtis: "People will continue to pay a premium for growth companies. But now they will have to distinguish between valid growth companies and those that don't deserve to be considered growth stocks."

**Selectivity.** Thus, there's a possibility that a small number of valid growth issues will continue to climb while standard stocks make a comeback. And even if a reaction does set in, Wall Street is confident that it won't be prolonged because so many people are waiting for just such an opportunity to buy in.



**Martin R. Gainsbrugh**, of NICB, thinks recession pointed up structural strength of economy, but thinks 1961-62 rise will be only moderately strong.



**George P. Hitchings**, American Airlines, finds consumer spending on durables already rising; coming of age of wartime baby crop will push it higher.



**Eugene C. Zorn, Jr.**, Republic National Bank of Dallas, thinks recovery has chance of being an "economist's dream"—stable growth, without inflation.



**Ira T. Ellis**, du Pont economist, sees GNP climbing to \$528-billion rate in fourth quarter of 1961, with industrial production at a new peak in December.



**Louis J. Paradiso**, Commerce Dept., feels upturn will set off capital spending rise, but as yet sees "no indication that investment rise will be sharp."



**William W. Tongue**, Jewel Tea Co., Inc., looks for retail sales to keep rising "as far ahead as one can see," predicts all-time peak for 1961 Christmas sales.

# Economists say climb will be brisk

**Business, government, university men agree recovery push will be strong, powered by inventory swing and government spending, for this year and well into 1962**

Four months ago, a Business Week survey of businessmen and economists turned up evidence that the inventory cleanup was nearing its end, and that recovery would soon get under way (BW—Jan. 28 '61, p 40).

Two months ago, signs were multiplying that the recession had in fact touched bottom and that the recovery was beginning (BW—Apr. 1 '61, p 13).

Today's big question is no longer whether there will be a recovery but how strong it will be. Is U.S. business heading into a boom—or into a vigorous expansion somewhat short of a boom—or into a rather sluggish and labore<sup>d</sup> advance too feeble to make much of a dent in persistent unemployment?

**Agreement.** To get at the answer to that question, Business Week reporters last week interviewed economists in business, government, and the universities (pictures).

What turned up was a remarkable degree of agreement on the economic outlook for the year ahead: The economists are almost unanimous in expecting a strong and continuing recovery through the rest of 1961 and through the first half of 1962—a recovery that will lift gross national product to an annual rate

of \$525-billion to \$530-billion by the fourth quarter of this year, and to an annual rate of approximately \$550-billion in the second quarter of 1962. In 1961's first quarter, GNP ran at a recession low of \$499.5-billion.

That means the economists expect a lift in GNP of 6% in nine months after the recession low, and 10% in a year and a quarter from the bottom.

Whether you call such a rise boomy, strong, moderate, or feeble is a matter of semantics—or politics. In numerical terms the coming recovery, as the economists see it, shapes up as moderate-to-strong. By comparison, after the 1953-54 recession, GNP rose 7% in nine months, and 12½% in 15 months after the low.

**High base.** Such a comparison, however, somewhat understates the strength of the coming expansion—because the recovery is starting from such a high base in relation to the economy's pre-recession peak.

GNP dipped only a little more than 1% from the \$505-billion peak in the second quarter of 1960 to the low point. In the current quarter it will already be back above the 1960 peak. By the fourth quarter of this year, if it hits close to the anticipated \$530-billion mark, it will be 5% above the pre-recession peak.

Contrast this with the two previous recoveries. Nine months after the 1954 recovery began, GNP was only 4½% higher than the mid-1953 peak. Nine months after the 1958 bottom, it was only 2.8% above its last peak.

**Motive power.** The first phase of the new expansion, the economists find, is being powered by the swing in inventories and the rise in government spending.

In the first quarter of this year, business was cutting inventories at an annual rate of \$4.5-billion, most of it in autos and steel. Now there are "definite signs" that inventory cutting in steel and autos is being turned into inventory building, reports Louis J. Paradiso, Dept. of Commerce economist. Paradiso and other government inventory-watchers foresee a general swing to inventory building in 1961's second half—rising to a \$4-billion rate of inventory buildup by the fourth quarter.

Government economists see inventory building going to still higher rates in first-half 1962, though the major swing will be felt this year.

**Government boost.** Rises in government spending are giving this swing strong support. Samuel M. Cohn, chief of fiscal analysis for the Bureau of the Budget, told the Na-



**Samuel M. Cohn**, Budget Bureau, foresees \$6.75-billion rise in federal cash outlays in coming fiscal year, on top of \$5.25-billion climb in year now ending.



**Prof. Richard A. Musgrave**, Johns Hopkins, doesn't think rise in GNP will be enough to clear up unemployment unless fiscal reform provides extra push.



**C. Canby Balderston**, vice-chairman of Federal Reserve, worries about stock market, fears recovery may not wipe out structural unemployment.

tional Industrial Conference Board last week that by June federal cash spending would be running \$5¼-billion above its June, 1960, level. He saw a further rise of \$6¼-billion in fiscal 1962, for a total \$12-billion boost in federal spending.

Cohn finds the tax outlook cloudy. On balance, he expects a "stimulative" deficit in the current fiscal year, and either a deficit or a balanced budget in the fiscal year beginning July 1. Most economists, however—noting the big stepup in Kennedy requests for spending on military, space, education, and other programs—see little prospect of a balanced budget next year.

In addition, state and local spending is climbing at an annual rate of about \$4-billion.

**Inflation ahead?** Much of this rise in government spending will hit after recovery is in full progress. Will this generate a new inflation?

Most economists think inflationary pressures will be relatively moderate during the first year of the expansion. They argue that excess industrial capacity (manufacturers, on the average, are operating at least 10% below preferred levels) and unemployment (6.8% of the labor force in April) will act as "buffers."

James J. O'Leary, director of economic research for the Life Insurance Assn. of America, agrees as far as the next 12 months go—but thereafter he expects inflationary pressures to mount. He is concerned about the Administration's credit policy, and thinks the effort to hold interest rates down is at the root of the shift to the stock market by in-

dividual investors and institutions.

**Two worries.** A number of economists—though by no means all—fear that the stock market has already reached "dangerously high" levels, that it has already more than discounted the coming expansion. Asked what development could spoil the extremely bright picture now shaping up for 1962, most economists mention first the stock market.

Their second worry is housing. Norman Robertson, economist of the American Radiator & Standard Sanitary Corp., estimates "normal demand" for housing over the next five years at 1.3-million units a year. The stimulus of federal programs and cheaper credit could push that rate up during the recovery, but some economists feel this might set the stage for another drop in residential building later in 1962.

**Post-1961 doubts.** It's after the end of this year that the economists begin to part company—and show greater uncertainty—about the strength of the expansion. There's unanimous acceptance of a coming rise this year in quarterly capital spending rates, as forecast by the McGraw-Hill survey (BW—Apr. 29 '61, p. 32). Some economists expect this to swing into a great capital spending boom as industry approaches or exceeds preferred operating rates by year end. But what appears to be a majority see little pressure on capacity, even by mid-1962, and feel the rise in spending will still be primarily for modernization and replacement.

Doubts persist, too, on how much consumers will step up their buying

of durable goods. Arynness Joy Wickens, Labor Dept. economist, expects only a "limited rise," because of population changes—with youngsters and oldsters increasing most rapidly—and the cost of services rising.

Many economists disagree, think they sense a new wave of consumer spending on durables. William W. Tongue, Jewel Tea Co. economist, notes that consumers have fast been paying off outstanding debts, and with incomes rising, should be set for a spending spree.

**Middle years.** Most economists interviewed by Business Week refrain from all-out enthusiasm about the outlook. Martin R. Gainsbrugh, chief economist of the National Industrial Conference Board, believes the U.S. economy is still in the "middle years" of slow growth, with a big boom unlikely before 1964.

Some economists—such as William F. Butler, a vice-president of the Chase Manhattan Bank—are still concerned that the economy will run into trouble as it approaches full employment. Butler regards the fiscal structure as defective in that it generates heavy deflationary surpluses too soon, slowing down expansions and making them abortive. He thinks this happened to the recovery after 1953-54 as well as after 1957-58. He favors remodeling "our outmoded tax system" in a way to encourage growth.

As of now, though, the economists—and the businessmen and politicians they report to—look for a year of brisk expansion, with little fear of serious interruptions.

# How to shed GM stock

**Supreme Court rules that du Pont must divest itself of all 63-million shares within next 10 years**

**Impact on business will be slight but stockholders might have to stand heavy losses**

**Pressure both on shareholders and on stock market will be less if Congress provides tax relief**

The Supreme Court this week ordered E. I. du Pont de Nemours & Co. to get rid of its 63-million shares of General Motors Corp. stock—now valued at about \$2.9-billion. The impact on each company's business will be slight, but the verdict could have harsh consequences for their shareholders. At midweek, neither Washington nor Wall Street was sure of just what to expect.

Du Pont was ordered to file a plan of divestiture within 60 days after the court's ruling reaches the U.S. District Court in Chicago, where the case was originally tried. Justice will then have 30 days to file any challenge—or its own plan. And within the 90-day period, du Pont must begin getting rid of its GM stock. According to the court, all of its shares must be divested within 10 years.

**No delegated vote.** The court's final word in the 12-year litigation reverses Judge Walter J. LaBuy's ruling that du Pont could retain its ownership of GM shares, while passing along voting rights to its stockholders (BW—Oct. 10'59, p26). By a 4-to-3 vote, the court said divestiture only of voting rights was not an adequate remedy. The majority, which had ruled in 1957 that du Pont's stock ownership violated the Clayton Act, felt that complete divestiture was the only logical course.

"Common sense tells us," said Justice Brennan for the majority, "that . . . it will be in their interest [du Pont stockholders] to vote in such a way as to induce General Motors to favor du Pont. . . ."

In addition, he said, GM management, "which over the years has become accustomed to du Pont's special relationship," would know the relationship continues to a substan-

tial degree, and might well act accordingly. The same is true of du Pont's competitors, Justice Brennan went on. "They might not try so vigorously to break du Pont's hold on General Motors' business, as if complete divestiture were ordered," he said.

Although Justice Brennan denied that divestiture is required in all Clayton Act cases, he said it was the most effective, if most drastic, of antitrust remedies—"simple, relatively easy to administer, and sure." And, he pointedly said, divestiture cannot be denied simply because of possible hardships for du Pont holders.

**Minority view.** Justices Frankfurter, Whittaker, and Stewart dissented. Justice Frankfurter wrote that LaBuy's concept of the "pass through" of voting rights, plus strict injunctive terms drawn up by the District Court, were sufficient to eliminate the illegal relationship between du Pont and GM.

If the need for divestiture is so clear, he said, it is strange that nobody noticed it in 1957. He added: "We are asked, in essence, to enter Alice's Wonderland, where proof is unnecessary and the governing rule of law is 'sentence first, verdict after.'"

**Victory for Justice.** The court ruling was hailed by Justice Dept. attorneys, who had not been surprised that LaBuy would reject their position that divestiture was the only remedy and who all along had banked on the Supreme Court to upset LaBuy's ruling. With this historic decision under their belts, Justice can now be counted on to go after other stock combinations with added zeal.

**Impact on holders.** The court's de-

cision in favor of complete divestiture, though, opens up an old problem: What will be the impact on stockholders? There is every reason to think that divestiture would work some hardships, but steps could be taken to soften the blow.

Du Pont says it has not yet devised the plan it will present, and a lot will depend on what plan it comes up with. But most talk is about a plan that would combine distribution of GM stock to shareholders and outright selling.

Under Justice's original proposal, 42.3-million shares would be distributed pro rata over a 10-year period to all holders of du Pont common. The balance of 21.2-million shares—allocable to Christiana Securities Co., the du Pont family holding company that owns about 29% of du Pont common—would be sold by a trustee over a 10-year period. Justice has made plain that it would change its plan if a more equitable solution were offered, but it claims none has been forthcoming. It insists, however, that if du Pont distributes its GM shares to its own shareholders, Christiana should be forced to sell any shares it receives.

Such a plan would mean a big tax bill to du Pont shareholders and would force liquidation of holdings, since they would have to pay income taxes on the distribution at regular rates. (Doling out GM stock in the form of dividend payments might have a similar impact.) Crawford H. Greenewalt, president of du Pont, figures the total tax bill might exceed \$1-billion, and he called for Congressional action to lessen the impact.

**Legislative relief.** It's hard to see how Congress can refuse. Tax relief for du Pont shareholders—and all stockholders under court-forced distributions—has been suggested before, but never passed.

A California congressman, J. Arthur Younger (R-Calif.), has introduced a bill that would offer some relief. Essentially, his bill would call for du Pont recipients of GM stock to pay an immediate income tax on about \$2.09, du Pont's average cost

of acquiring GM stock, for each share received and a capital gains tax on the difference between this \$2.09 and the amount received for each share when it was sold. It isn't likely, though, that any specific action will be proposed until the District Court decides on a divestiture procedure.

Tax relief would play a big role, too, in cushioning the impact on the stock market. Without it, there probably would be a stepup in selling of du Pont and GM stock.

**Market effect.** Both stocks were selling at 1961 highs when the court's decision came, and both promptly fell back. GM's price dipped 5 points to \$44. Du Pont's price fell 22 points to \$207. Each rallied slightly after Wall Street brokers publicly advised against selling, then slipped again.

Such advice is contrary to what most Wall Street men were saying about the effects of divestiture two years ago in Judge LaBuy's court. There, they predicted that the stocks of both companies would fall far behind the stock prices of comparable companies, and many said they would recommend selling. One such witness, Winthrop Lenz of Merrill Lynch, Pierce, Fenner & Smith, Inc., now says his company is waiting before making up its mind.

This school still holds that, under Justice's plan, the trustees would be hard pressed to sell 2-million shares of GM stock annually (each secondary would be bigger than most on record). Sophisticated investors would shy away from buying because of the huge amounts of stock overhanging the market, these brokers say.

A number of Wall Street men, however, believe trustees would have little difficulty in selling 21-million shares of GM over a 10-year period, provided they had the same flexibility as the Ford Foundation has in selling Ford Motor Co. stock. This group holds that institutional investors are increasing their common stock holdings and that du Pont and GM are among their favorites (although some institutions have pruned their GM holdings in recent years).

They agree that forced selling would have an adverse impact on both stocks, particularly GM, but they say that a flexible approach by skilled trustees would result only in a slight impact on the market.

Another point they raise is that corporate and institutional holders of du Pont stock would have a less serious tax problem than individual shareholders, with less pressure to sell GM shares they received in a distribution.



Kids and adults, many of them flying for the first time, clamber up on seats during

## 'Flightseeing' trips convert nonflyers

**American Airlines' 30-min. sightseeing flights—set up originally to restore confidence in the Electra—are being booked by people who have never flown before**

Last fall, American Airlines, Inc., dusted off one of aviation's oldest gimmicks, the sightseeing flight. The move was a part of the airline's crusade to restore confidence in the Lockheed Electra, whose reputation had been a little under the weather as a result of structural problems and accidents.

The turnout for the first few flights over New York City was so good that it astounded even the line's management. Now, with the return of clear skies, the sightseeing program is going nationwide, and the objective has been changed back to what it was in barnstorming days: the introduction of flying to people who have never been up.

On the first flights from Chicago's Midway Airport (pictures) this week, all but a few passengers were taking their first airplane ride. For \$6.50, they got a 30-min. flight over the city, its suburbs, and the Lake Michigan shoreline. The 68-passenger plane was filled to near capacity, and none of the flightseers expressed qualms about being in an Electra.

Once in the air, rubbernecking and picture-taking were the order of the day. First-timers were excited by the trip, and ignored the limited visibility—and even the air turbulence encountered at the low altitude required for sightseeing. Stewardesses passed out junior pilot and junior stewardess rings to children, and



during American's flight over Chicago.

promotion material about American Airlines' regular commercial flights to adults. Airline personnel set up games for the kids—guessing how fast the plane was flying, and at what altitude.

**Success.** The Chicago flights were more of a marketing bull's-eye than most. The over-all average so far for first-time flyers is just over 50%, according to an airline survey.

Besides New York and Chicago, American has offered its flightseeing trips over Boston, Nashville, Syracuse, Washington, and Buffalo on different Saturdays so far. Sunday flights next week are planned for Detroit, Philadelphia, and Hartford.

**New market.** The reasoning behind the growth of these flights, which at best only break even, is that airlines have captured just about all the long-distance business travel there is. Now ways must be found to get the vacationer aloft. Estimates of the number of people in the U. S. who have never flown go as high as 75%, and American hopes that once these people experience flying, they'll leave their automobile at home on their next trip.

American won at least one vacationer with its initial flightseeing trip in Chicago. The wife of a railroad conductor promptly defected. "I'll never be caught on a train again," she said.



Stewardess passes out paper and pencils to young fry, who are asked to play a game guessing the speed of the plane and the altitude at which it is flying.



Scale models of the Electra II are awarded to the winners. Teenagers guessed speed at 365 mph. and altitude at 2,800 ft. Plane flew 375 mph. at 2,900 ft.



Crew member conducts tour of cockpit of plane and explains how controls work. American Airlines plans to use other planes, possibly jets, in its promotion.

# RCA gets satellite prize

**Bid to build NASA's first active satellite will help it in hot space race**

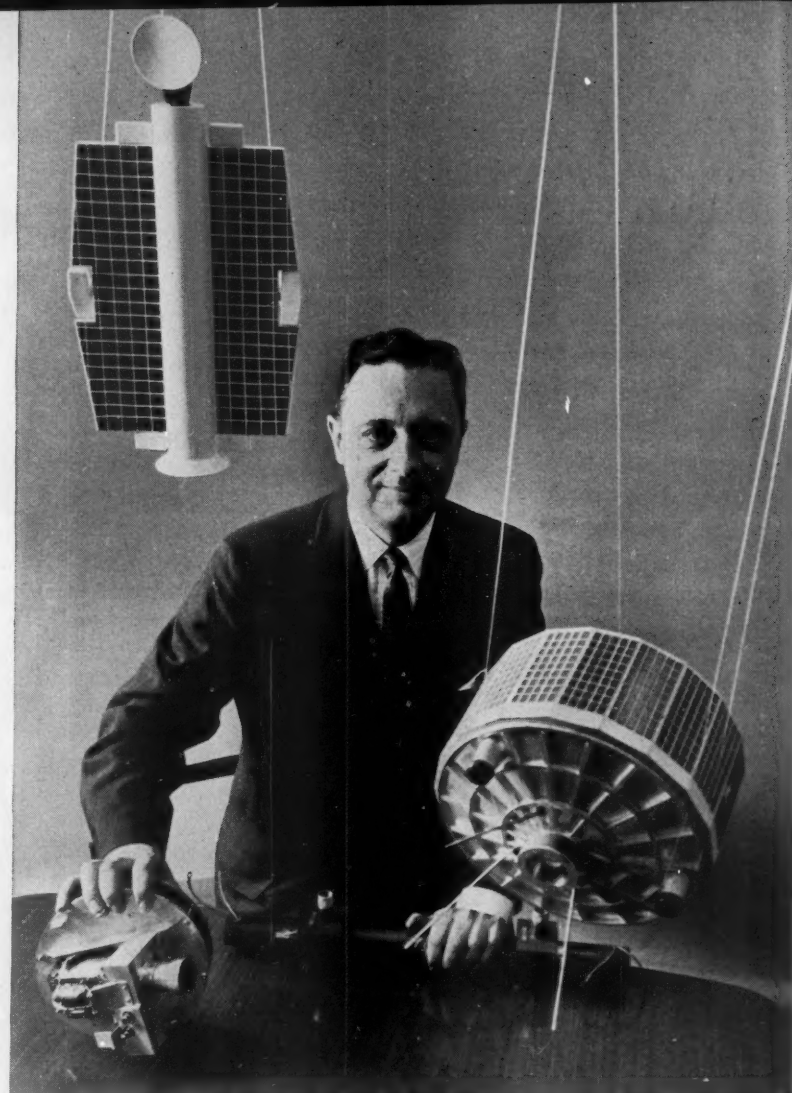
Companies jockeying for position in the still undefined but potentially vital field of communications satellites had some new factors to take into account this week. After two months of deliberation, the National Aeronautics & Space Administration has made its choice for another important contract assignment. It is inviting Radio Corp. of America's Astro-Electronic Products Div. to enter into contract negotiations to build the first NASA active communications satellite. Cost: \$3.25-million.

Chief purpose of the satellite—dubbed Relay—will be to determine the feasibility of using active satellites in a global communications system. An active satellite is one equipped to receive and rebroadcast signals, instead of merely reflecting them as do passive satellites such as Echo I.

Relay, purely experimental in nature, is to weigh less than 100 lb. It is to be fired into a 3,000-mile elliptical orbit by a Thor-Delta rocket system—the same system that put the experimental weather satellite, Tiros II, into orbit last Nov. 23.

**Proven principles.** Since NASA's primary aim is to get an active satellite up and working by the summer of 1962, very little in the way of new concepts will be tried in Relay. NASA wants to prove quickly its contention that active satellites are a real factor in tomorrow's global communications network. So RCA's task will be to turn out a satellite incorporating proven principles and using as many reliable on-the-shelf items as possible.

Relay will be designed, for example, to carry a conventional radio relay system. Its antenna, amplifier, power supply, transmitter, transmitting antennae, command control, and telemetry equipment will all be



Experience will help RCA put Relay satellite in orbit by summer, 1962, says Barton Kreuzer of Astro-Electronics Div. Work on Tiros satellite (right), components—camera, amplifying tube (table)—will aid future development (left).

items tested in some previous satellite firing. RCA's main work, therefore, will be the structure and design of the satellite itself.

There's no technical reason, according to RCA Vice-Pres. Barton Kreuzer (picture), general manager of the Astro-Electronic Products Div., why this should not be a "speedy effort."

**Competitors' views.** Reactions of the nine other bidders for the coveted Project Relay contract were mixed. There were some expressions of surprise that NASA had nodded in the direction of RCA so promptly, some grumbles that NASA scientists had hardly had time to evaluate properly all the proposals. There must be some good reason, competitors philosophized, to account for the haste.

Consensus among other companies

interested in getting a piece of the multibillion-dollar space communications pie, however, was that RCA would gain little besides experience from its contract. Said one observer: "RCA might get a leg up in certain areas, but nothing of any significance." One reason for this view is that all information gained will be disseminated to all industry.

**Wide field.** RCA's prize doesn't shut out competitors from the space communications field, by any means. Three separate efforts are now under way for development of active space communications systems:

- One is the military space communications research—Project Courier and its follow-on Project Advent.

- A second is NASA's Project Relay.

- A third is the effort by U.S. industry itself to expand future com-

mercial communications channels by the use of satellites.

**FCC the key.** But with the military program moving ahead on schedule and the NASA project now sewed up, industry is focusing attention on the Federal Communications Commission as the key to the future of commercial communications satellites.

A number of companies—including American Telephone & Telegraph Co., General Electric Co., and RCA itself have been angling hard for position in the commercial race (BW—May 6 '61, p29). FCC has already assigned temporary channels for industry research.

Regardless of NASA's announced intent to negotiate a contract on Relay with RCA, AT&T will continue to negotiate with NASA for a rocket to launch its own satellite system. "Such a satellite could be made available for launching purposes by the end of 1961," says a Bell spokesman, "if we know promptly that a rocket would be available."

NASA has agreed in principle to launch, for a fee, research satellites it considers promising. But so far it has held AT&T at arm's length.

Industry, looking at NASA's request for a 60% boost next year in funds for communications satellite projects, is unhappy about NASA's delay.

A large part of the increase, the industry reasons, will go for active communications projects, of which Relay is but the first. So NASA has no real need to seek industry cooperation, except for specific projects.

That makes FCC, in industry eyes, the ultimate key to commercial space relay communications.

**What next?** Next step for FCC might be to license a group of companies to operate an active communications satellite system on an experimental common carrier basis.

Some—including Frank D. Landstroth, vice-president of military marketing for Sylvania Electronics Systems, a division of Sylvania Electric Products, Inc.—see real hope of such an FCC move before the end of June.

Others think chances of this are slim. They argue that:

- There is no good reason to assume the government is yet ready to yield control of any commercial satellite communications system.

- The industry is deeply divided on the type of commercial system it would be best to build.

**Two camps.** Since cost almost rules out the building of more than one active satellite system, progress is likely to be long-drawn-out.

In the industry, there are two main camps on the question of the best

type of active communications system for commercial use. One group (including RCA) favors a system of synchronous satellites to be fired into orbits 22,300 miles above the earth's surface. Traveling exactly as fast as the earth moves, they would appear to "hover" over one spot on the earth.

Other companies, led by AT&T, favor a system of, ultimately, 50 or more satellites orbiting about 7,000 miles up. They argue that the U.S. does not have a powerful enough rocket system for the 22,300-mile synchronous satellites, and that the delay factor in relaying a signal back and forth from a satellite 22,300 miles up could be an inconvenience.

**Ownership question.** A more seri-

ous problem could be the division of ownership of any commercial satellite system. It's agreed that the Administration would not allow any one company to get a dominant position in space communications.

One group of companies wants ownership of the first active commercial satellite system confined to companies already in international communications; AT&T backs this plan. Another wants ownership extended to include all present (and future) domestic communications companies; General Telephone & Electronics Corp. is pushing this. Still a third group wants to pull in all interested companies, including components and parts makers; GE favors this.

## FCC reshuffle hits snag

**Both congressmen and broadcasters bridle at Kennedy's short-cut plan to speed up agency's activities. Proposal is likely to be toned down**

**The Kennedy Administration** has run afoul of the sensibilities of congressmen and radio-TV broadcasters with its attempt to speed up the operation of the Federal Communications Commission.

Pres. Kennedy asked for a reorganization of FCC under a short-cut plan that makes the proposal law as presented by June 26, unless either the Senate or the House rejects it.

Opposition began to crop up when the plan was announced. Broadcasters smelled an attempt to tighten White House control over FCC. They want the reforms proposed through the usual legislative channels.

The opposition just simmered until Newton Minow, new FCC chairman, delivered a speech three weeks ago to the National Assn. of Broadcasters, telling them to raise program standards, or risk losing their licenses.

At midweek, the House Commerce Subcommittee, which held hearings on the plan, voted to kill it, and the House Republican Policy Committee voted unanimously to oppose it. Even before these twin blows, Minow and James M. Landis, Pres. Kennedy's adviser on the independent regulatory agencies, were prepared for defeat and made overtures toward a compromise. And Sen. John O. Pastore (D.-R.I.) and Rep. Oren Harris (D.-Okla.) were preparing to achieve the reorganization of FCC through legislation.

**Goals.** Minow, Landis, Pastore, and Harris agree on the chief goal: handing FCC more discretion to spend its time on important cases.

The Kennedy reorganization plan proposes to give FCC authority to delegate work to panels of commissions, individual commissioners, hearing examiners, or groups of agency employees. Once FCC had agreed to delegate a task, the chairman would be given the job of assigning it at a lower level. This was the most controversial part of the proposal.

**Snags.** Administration strategists felt the plan was safe in the Senate, but at midweek conceded that the House was moving toward a rejection, with Speaker Sam Rayburn already voicing opposition. Against this background, Pastore began hearings that were supposed to discuss the merits of the reorganization plan, but instead focused on what changes could be made to make FCC reform palatable to Congress and FCC members.

Similar plans to reorganize the Securities & Exchange Commission, the Federal Trade Commission, and the Civil Aeronautics Board haven't generated nearly the heat that the FCC plan has, and are expected to pass Congress. Unlike the other three, however, the FCC plan makes changes in the Communications Act, the basic legislation setting up the agency.



# Move to tighten antitrust on way

Interest in Congress to strengthen antitrust laws seems to be gathering momentum under Sen. Kefauver's leadership, in wake of electrical conspiracies

The month-long hearings by the Senate Antitrust & Monopoly Subcommittee on price-fixing conspiracies in electrical equipment have raised the question of what's ahead for an industry that is painfully aware it has a black eye.

The hearings are not over yet. The subcommittee was scheduled to hear General Electric Co. Chmn.-Pres. Ralph J. Cordiner this week, but a heavy legislative schedule for the full Senate forced postponement. Cordiner wants to testify and the committee wants to hear him, but it may be weeks before he appears.

Those who day-by-day heard the testimony of executives in the ornate Senate caucus room got an overwhelming impression that the industry is still recovering from the revelations that widespread and flagrant antitrust violations had been taking place for years.

**Opinion of law.** While it's true that some executives expressed disagreement with the laws, most of them professed belief in the principles of antitrust. They could only reflect that, somehow, corporate responsibility had broken down and that, to many of their subordinates, price-fixing had for a time become a way of life.

"I believe we in management must recognize that the creation of a firm legal, moral, and ethical climate is a major responsibility of business leadership," said Mark W. Cresap, Jr., president of Westinghouse Electric Corp. "I regard this as a personal challenge."

**Not soon enough.** There is little doubt that Cresap spoke with complete sincerity. But there are signs that vows by him and other company officials did not come soon enough to forestall a tightening of the antitrust laws.

The subcommittee chairman, Sen. Estes Kefauver (D-Tenn.), is circulating drafts of legislation he plans to introduce. And from both houses of Congress come reports that interest around the country has been stirred by prosecution of the conspiracies in electrical equipment.

A staff member of the House Antitrust Subcommittee reports a heavy flood of mail arising from Kefauver's hearings. Its tone: Do something about price-rigging.

Congress is traditionally reluctant to tamper with the antitrust laws. Only in a climate of heightened emotion can new legislation be passed. Sen. Kefauver feels his hearings, plus increased criticism of business price-

ing practices by government officials, may be enough to do it.

**Tougher law.** These are the amendments Kefauver has in mind:

- Stiffer penalties for antitrust violators, both individual and corporate.
- An extension of liability for antitrust violations to top corporate management, whether or not executives were directly involved.
- An easing of the government's burden of proof.

The last point could be the most important. It could mean, for example, that in an antitrust suit the Justice Dept. could submit a stack of identical bids as evidence and say to a company charged with antitrust violations: "Prove these were not reached through collusion."

**Identical bidding.** Indeed, one of the dominant themes of the hearings was Kefauver's interest in the phenomenon of identical bidding and his belief that identical prices mean absence of competition.

"They may not be unlawful or collusive," said Kefauver, "but they're certainly evidence of a lack of competition."

In a lengthy colloquy with Kefauver on this subject, Cresap maintained that identical bids indicate more, not less, competition in the market place. They simply show that companies are meeting the lowest price of competitors, he said.

"So far as the public, the government, and price competition are concerned, you have arrived at the same pricing results whether by collusion or by copying catalogues," Sen. Kefauver said. "What's the difference between getting together to fix prices and just taking the other fellow's prices?"

**Broad attack.** If Kefauver is using identical bids as a wedge to stir interest in antitrust law revisions, he's getting plenty of help.

Just last week, New York City's Transit Authority complained to Atty. Gen. Robert F. Kennedy that for years the authority has been receiving identical bids on subway wheels. And from Albany came a report that five major rubber companies submitted identical bids on state contracts for auto tires and tubes. In Washington, District of Columbia purchasing officer Rexford Wessels said a study of city buying indicated possible cause for damage suits against makers of electrical equipment.

Interior Secy. Stewart L. Udall has ordered that sealed bids to his department include sworn statements that prices were reached without collusion, and Pres. Kennedy has ordered that federal agencies report identical bids to the Justice Dept.

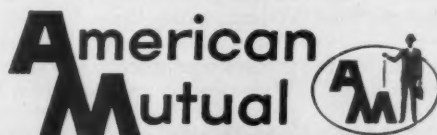


## **"We like men who work as a team"**

"We like men who work as a team. American Mutual men do," says Mr. Albert Vinal, Treasurer of Stetson Shoe Company, Inc. "We can count on them to give us the service we expect." Through just such teamwork in providing constantly improving insurance protection, Stetson Shoe has brought its Workmen's Compensation rates down to 23% below its industry's average.

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At the Stetson Shoe factory in South Weymouth, Mass., American Mutual Salesman Albie Gould, Mr. Vinal and American Mutual Claims Man Bob Cauchon listen to a point in fine shoe manufacturing made by Jack Heald, Vice President in Charge of Production at Stetson.



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# More fuel for man-in-moon race

**President's request for a bigger budget for space program and for weapons for conventional warfare is timed to impress Khrushchev at their meeting in Vienna**

**Pres. Kennedy** this week, just before he meets Premier Khrushchev face-to-face in Vienna, asked for a dramatic boost in the U.S. space program and more weapons for conventional warfare.

The request was timed to impress the Soviets with U.S. determination to meet any tests that might come in the continuing cold war, and to offset fears at home that the U.S. is negotiating from a position of weakness.

The package the President is asking for includes:

- An increase of just over \$600-million in the fiscal 1962 space program, with one goal of placing a man on the moon ahead of the Russians. For the non-military space program, this is a 50% boost.

- A small stepup in military spending of about \$150-million over and above his previous increase of the Eisenhower budget to purchase more arms and equipment for conventional warfare.

- An increase of a half-billion dollars—from \$4-billion to \$4.5-billion—in foreign aid, including \$100-million more for both economic and military assistance to Southeast Asia.

The President also asked Congress for about \$75-million a year for three years to retrain chronically unemployed workers. To absorb some of the high school youths pouring into the labor market, many without finishing school, he asked Congress to establish a corps that would put them to work on forestry and other conservation projects similar to work of the New Deal's Civilian Conservation Corps.

The President warned that not enough has been done to prepare for the possibility of attack, and recommended a shelter-building program as well. This project, long sought by civil defense advocates, has never aroused much support in Congress.

**Man in the moon.** There is no doubt about it, Kennedy has put the U.S. directly in the space race with the Soviets. And he has made it clear that the U.S. will be running hard, costly as it may be.

The next big spectacular achievement in space lies in landing a man on the moon and bringing him back

to earth. That won't be until the mid to late 1960s for either the U.S. or the Russians, based on the best information available.

In the interim period, spacecraft will orbit the earth and probably the moon. But, now that the Soviets have successfully sent a man in orbit around the earth, these later steps won't carry the propaganda impact of a moon landing.

This is the prize that Kennedy is shooting for. To get it means pouring billions of dollars into the booster programs such as the \$1.5-million-lb.-thrust F-1 engine that will be clustered six to eight engines together to put a man on the moon.

No concessions are given to the Russians in capturing the interim space achievements, either. They are necessary steps to take before a lunar landing can be attempted. The U.S. will be driving hard to beat the Soviets at every step. This is the reason over \$100-million is being pumped into Project Apollo, a three-man vehicle planned for earth orbits around 1964, and why over \$100-million will go to develop nuclear-powered rockets and big solid-fueled boosters.

**Space communications.** While the U.S. attempts to beat the Soviets in the big spectacular space achievements, a concentrated push will be made concurrently in another area. That is to perfect space systems that will show a direct tangible benefit for all the world to see and use.

First efforts are to get a working space communications and weather system into operation. This is an area where the U.S. is far ahead of the Russians, and Kennedy plans to make the most of this advantage. Upwards of \$150-million are going into these programs, including additional tracking and data processing systems.

Much will be made about international cooperation in operating the systems with their benefits openly shared. There are plans to set up ground equipment around the world. With the communication satellite, people in all parts of the world will actually talk over the system.

This will make a telling propaganda show for the U.S. and all

efforts will be made to exploit it.

Sheer propaganda reasons, obviously, are not the only motives involved in the new Kennedy crash space program. The benefits to come from space developments are many, both in the peaceful civilian uses and militarily.

The program that Kennedy has laid out speeds up the day when these benefits will be derived.

**Conventional warfare.** To bolster U.S. capacity for guerrilla warfare and to meet limited war assaults, the President sought more small arms, vehicles, light aircraft, tactical missiles, advanced electronic gear for battlefield use, and other conventional weapons. Most of it will go to the Army to speed modernization of its 14 divisions, including the U.S.-based Strategic Army Corps and units in critical overseas areas.

This is the second boost over the Eisenhower budget that the President has requested. Last March, he added \$1.9-billion to Eisenhower's \$41.9-billion military request.

The Army and Marine Corps have made no secret of their anger over what they considered skimpy additions to limited-war forces. Most of Kennedy's first supplemental request was earmarked for Polaris and Minuteman missiles and military space projects, only \$230-million extra was allocated for conventional arms—an increase of only 10%—despite Kennedy's campaign talk about the need to build up limited-war capabilities.

**What for.** The new money will be allocated to the Army for Iroquois helicopters, M-14 rifles, infantry rocket launchers, ammunition, and extra radars for Hawk anti-aircraft missile systems; to the Navy and Marine Corps for Bullpup air-to-surface missiles, mortar rounds, and antisubmarine torpedoes; and to the Air Force for a new transportable fuel storage system for tactical aircraft. In addition, the new budget authorizes a slight manpower hike for the Marines of 12,000 men.

These requests raise the U.S. military budget to \$44-billion for fiscal 1962. It is still only \$1.1-billion more than Eisenhower budgeted for 1962, however.

## Automation? Absolutely!

SAYS THIS UNION PRESIDENT



Henry Cassidy, distinguished commentator-writer, interviews Edward Swayduck, president of Local 1, director of technology, Amalgamated Lithographers of America.

**Q.**  
**Eddie, it has been my understanding that unions are opposed to automation on the grounds that it reduces jobs for workers. What is your view?**

**A.**  
Well, for 79 years now the Amalgamated Lithographers of America has vigorously fostered technological development. We have found over these four generations that if the lithographic industry brings down product costs to the customer, more jobs are created for our members.

**Q.**  
**Can you give me some figures on that?**

**A.**  
Certainly. In 1906, three men ran a hand-fed stone press that produced 800 sheets per hour. If I had gone into that plant 55 years ago and told the members that in 1961 there would be a lithographic press that would produce 11,000 sheets per hour in ten colors on both sides, do you know what they would have told me? They would have said there would be only a handful of workers left—there'd be nobody in the industry! But what are the facts? As we progressed through that revolution of automation and technological development our industry has grown by leaps and bounds. Lithography has become the fastest growing method of reproduction in the graphic arts. Does that answer your question?

**Q.**  
**It does—as far as the industry is concerned. But how has all this worked out for the union and its members?**

**A.**  
About three years ago the Wall Street Journal was checking facts for a front-page story based on a proposal I made before our international convention for a joint union-management automation research fund. The newspaper interviewed people from all over the industry. One New York plant owner told them that because we had automated his unit costs were identical with those of 1914. But in this same period the benefits to our members have increased

tremendously. In addition to higher wages we have a 35-hour week, three weeks vacation, ten paid holidays and the finest welfare and pension programs in the nation. And during those years our membership has increased 1,000% while the population of the country has gone up only 80%.

**Q.**  
**So automation has worked, and worked well, for both the industry and the union?**

**A.**  
The facts speak for themselves. How could an industry absorb all those extra costs and stay in business competitively if the Amalgamated Lithographers of America had not worked with them for automation and technological development? In this way we made the product less expensive and more attractive, and everyone is benefiting.

**Q.**  
**All well and good, Eddie, as far as your union and industry are concerned. But how about all unions and the general economy of the country? Do you think all unions should take a good hard look at automation and back it the way you have?**

**A.**  
At last some of them are. Here's an actual case history on one union. The president fought automation for years. The various benefits he demanded for his members made their contract a one-way deal. He kept driving the price of the product up, up, up. As a result the major customers converted to an alternate way of doing the job, not for any meanness, but just because it made sense to do so. Naturally, the union's membership started to dwindle. Today this man has only about 250,000 members out of what used to be 800,000. And today he's one of the greatest advocates of automation and technological development. He's had to face up to the cold fact that he has to automate to save the jobs of the quarter of a million members he has left. That's the story right across the country.

**Q.**  
**But it seems to me, Eddie, there are still a number of labor leaders who haven't come around to this viewpoint.**

**A.**  
They haven't, but they're going to have to sooner or later. In the past, labor officials lacked the political courage to tell their members "This is good for you," because they had to live with it for two, three, four or five years before they showed results. They didn't have the courage to stand up to that kind of a barrage. But in industries where they did, the members have reaped the benefits. These are the facts of life.

**Q.**  
**Then to wrap it up, Eddie, you are for automation and you think other unions should be for it, too?**

**A.**  
Not only am I for automation—it's the history of our organization to be for it—but I'm convinced that other unions that are not for it are actually and literally underestimating their country. People might be momentarily displaced, but for that brief period the economy would be able to take care of them. Then, as soon as the products were brought down in cost, the general business picture would be enhanced and the various industries would absorb everyone who was displaced. As I see it, it's the story of America.

**Q.**  
**Well, Eddie, I would say as a reporter that your views on the future of automation are very progressive and very healthy.**

**A.**  
Thank you. When a buyer of lithography places his business in an ALA plant he doesn't pay for featherbedding or obsolete processes. I would appreciate your telling the public that a good craftsman is good economy.

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## **Treasury aid for the careless: currency may come in different colors**

The Treasury Dept is thinking of changing the color of most U. S. currency. Treasurer Elizabeth Rudel Smith proposes to keep the familiar green on \$1 bills, but to adopt a different color for each of the other denominations. The idea is to protect the careless citizen from forking over a big bill instead of a little one, and to make sorting easier in banks and other places where currency is rife.

The Bureau of Engraving has experimented with various colors for the seven tints that would be needed for \$2, \$5, \$10, \$20, \$50, \$100, and \$1,000 bills; it reports that the idea is entirely feasible.

Some opponents of the color switch say that it would make counterfeiting easier, but the Secret Service says this isn't so. And some active minds suggest, with reasonably straight faces, that the change would enable critics to accuse the Kennedy Administration of "tinkering with the currency."

Treasury Secy. Douglas Dillon, with whom any decision would rest, is reported to be interested in the plan.

## **Pattern for antitrust settlements seen in C. H. Wheeler accord**

The C. H. Wheeler Mfg. Co. this week reached agreement on a consent decree that ends the Justice Dept.'s civil antitrust action against the Philadelphia maker of electrical equipment.

Although it applies to only one company and one category of products—condensers—the consent decree sets a pattern that will probably be followed in settling other civil actions connected with criminal antitrust cases against 29 manufacturers.

C. H. Wheeler agrees, within the next year, to review and redetermine all book prices and conditions of sale for its condenser line. The company must also itemize the cost of condensers in any bids or quotations for electrical equipment that includes condensers. It must be prepared to swear that all bids for condenser sales have been prepared secretly and without collusion with other manufacturers.

## **Younger Stuart quits Carnation Co., assails his father's leadership**

A father-and-son squabble at Carnation Co., big Los Angeles-based dairy products company, broke into the open this week with the resignation of E. H. Stuart, Jr., as a vice-president and director. Stuart charged that his father, who is board chairman, dominated the company and failed to set up a sound program for developing a management team. The elder Stuart is 73, his son 44.

The younger Stuart also objected to the company's holding more than \$20-million in cash reserves.

A. M. Ghormley, Carnation president since 1957 (BW—Feb. 22 '58, p106), retorted that the company had set records for sales and earnings in each of the past six years.

## **Kennedy gives all-out approval for tractors-for-prisoners swap**

Pres. Kennedy this week came out strongly in favor of voluntary efforts to provide 500 tractors to ransom 1,200 prisoners captured in the abortive invasion of Castro's Cuba. In the face of considerable opposition on Capitol Hill to the proposal, the White House indicated that Kennedy was likely to contribute personally to the fund, and that he had asked Mrs. Eleanor Roosevelt, Walter Reuther, and Milton Eisenhower to form a committee to raise the funds.

A special White House statement said that the State Dept. would grant the export licenses for the tractors, and expressed the opinion that contributions would be tax deductible, as a charity. This last point was doubted by Sen. John F. Williams (R-Del.).

Meanwhile, no one in Washington knows what kind of tractors Castro would accept.

## **Gold reserve repeal move shelved**

Congressional opposition has killed hopes of the Kennedy Administration for quick repeal of the law requiring a 25% gold reserve on Federal Reserve notes.

The Administration can lift the requirement on its own, but would prefer Congressional action to stress its determination to use the entire \$17-billion U. S. gold stock to fight any run on the dollar.

With the appearance of heavy opposition, the House Banking Committee has indefinitely postponed hearings originally designed to secure bi-partisan support for repeal.

## **Business Briefs**

Standard Oil Co. of California is shopping for a site on which to build Alaska's first oil refinery, a 20,000-bbl.-per-day setup. Standard has thus decided that Alaska's production and market justify a major refinery. The company, in partnership with Richfield Oil Corp., is now producing 14,000 bbl. per day of crude on the Kenai Peninsula, piping it to Nikiski, and shipping it by tanker to West Coast refineries.

Effective July 1, the Post Office Dept. will make the first change since 1948 in rates for international air parcel post. Aimed at bringing revenues into line with costs, the new rates to 156 foreign destinations will generally be higher on lighter parcels, lower on heavier ones.

# Washington outlook **BW**

May 27, 1961

## **Tax prospects this year firming up**

It's possible now to make a long-range assessment of the most important single piece of business legislation before Congress—the Kennedy package of tax proposals.

Here is the outlook as seen by key members of the House Ways & Means Committee:

- The package as a whole is dead.
- Some key provisions will be reported favorably by the committee, and may get through the House.
- But time will run out in the Senate, where Chmn. Harry F. Byrd of the Finance Committee refuses to hold hearings right away to speed things up.
- In any event, the complaints of business spokesmen have not killed the most controversial ideas in the package. These will be back in one form or another next year.

## **Kennedy losing on tax credit**

The situation, item-by-item:

One provision will be approved this year for sure. That's the extension of existing corporation income tax law at 52%.

The House also will approve extension of existing excise taxes, though an attack on some of these may come in the Senate.

Some kind of incentive for plant and equipment spending may be approved in the House, but not the complicated Kennedy version tying tax benefits to a company's depreciation allowance.

A flat across-the-board tax credit may emerge, or the committee may jump directly into basic depreciation reform—something the Administration has promised for next year but wants to avoid now.

## **No fixed limit on expenses**

Proposals to tax the earnings of overseas subsidiaries on a current basis will not be accepted this year.

Odds are against changing the special benefits now granted income from dividends.

A cutback on the more spectacular business expense deductions—yachts, African safaris, and the like—seems sure. But the committee opposes a fixed dollar limit on meals and hotels or a \$30-per-day ceiling.

Withholding on dividends and interest income is likely.

Tightening of taxes on cooperatives stands a good chance.

Congress isn't paying much attention to one key Kennedy idea—that revenue lost by way of new benefits should be matched dollar for dollar by additional revenue from closed loopholes.

## **Marshals may be new peace force in South**

More integration clashes are expected in the South.

In keeping the peace, the Administration is hoping it has an effective new force in the corps of U.S. marshals.

In their first major test, the marshals were effective in curbing the Alabama mobs. And use of the marshals is having a soothing effect on Southern spokesmen.

Key Southerners in Congress, though making the traditional appeals in behalf of states rights, have been fairly moderate so far in their criticism of Atty. Gen. Robert F. Kennedy for his handling of the Freedom Ride crisis.

Southerners apparently find the marshals less objectionable than the

## Washington outlook *Continued*

regular Army troops that former Pres. Eisenhower used in the Little Rock troubles of 1957.

### Miller leads for GOP chief

Rep. William E. Miller of Upstate New York looks like the winner in the hunt for a new national chairman of the Republican Party.

Backers of Ray Bliss, Ohio state chairman, are still seeking support for their man. Short of a last-hour switch of sentiment, Miller has the votes.

Outgoing Chmn. Thruston B. Morton has plans ready for a series of regional meetings and for new drives to increase Republican registration in cities and suburbs. But nothing was done beyond the planning stage while the party leaders were hunting a chairman.

### GOP target: 45 House seats

Republican strategists in the House are setting their sights high for 1962.

It will take a shift of 45 seats for the Republicans to gain control.

Miller, who has been serving as chairman of the Republican Campaign Committee in the House, argues that if Pres. Kennedy continues to suffer setbacks in foreign affairs and if unemployment sticks at around 6% of the work force next fall—as some of Kennedy's own advisers fear it will—a gain of 45 seats is well within sight.

### Labor opens tax-cut drive

What the country needs is a \$5-billion personal income tax cut with the benefits concentrated in the lower brackets, the AFL-CIO is telling union leaders.

Labor has started a national write-your-congressman drive to support its version of tax relief.

Its plan gives less relief to middle and upper brackets than the version the Treasury Dept. is studying for possible submission to Congress next year.

### Income study shows low brackets lag

Labor spokesmen will be citing a new analysis of personal income by the Commerce Dept. to support their drive. The study shows the lowest income groups failed to keep pace with the general rise of personal incomes in the 1957-60 period, while the upper brackets were gaining more than proportionately.

The Commerce Dept.'s analysis—a broad look at the distribution of income in recent years—appears in the May issue of the Survey of Current Business.

It's rich material for marketers and other students of income trends. A copy can be obtained by writing any Commerce Dept. field office. Price: 30¢.

### Probe of inner earth backed

More money and a second experimental ship apparently will be needed if U. S. scientists achieve their goal of being first to sink a drill into the inner reaches of the earth.

Leaders of Project Mohole told Congress this week the first tests were a scientific and technical success (BW—Apr. 8'61, p30). But they favor another test with more sophisticated equipment before trying to drill through to the earth's mantle, some 30,000 ft. below the surface.

The oceanography subcommittee of the House Merchant Marine Committee encouraged the project's managers to go on with the tests. Members believe a scientific race with Russia will develop soon to open the ocean floor and the depths of the earth for man's use, and that Project Mohole is giving the U. S. a running start.

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# Four pass billion sales mark

**American Motors and American Stores enter inner circle for the first time in 1960**

Reflecting the mixed performance of the economy itself, 1960 was a year of cross currents for the membership roster of the blue-chip billion-dollar club of nonfinancial corporations (table).

**Newcomers.** In the sales category, two newcomers—American Motors and American Stores—gained entry to the inner circle, and Douglas Aircraft, which had dropped from the list in 1959, came back on as deliveries of its DC-8 commercial jets swelled its volume. F. W. Woolworth acquired both a new and a retroactive membership as it consolidated results of Mexican and German operations in 1960, and restated its 1959 figures correspondingly to lift sales for that year to \$1.01-billion vs. the \$916-million that had been previously reported.

However, these additions were offset by four departures—United Aircraft, North American Aviation, Cities Service, and Armco Steel.

**Disappointment.** Most of the billion-dollar sellers showed sales increases because the fast start of 1960 more than offset the slowdown in the latter part of the year. But spectacular sales increases were rarer than they were in 1959, and the sprinkling of minus signs on the list was larger—14 companies to six a year ago.

The mixed performance of the economy was also reflected in different industrial sectors. The auto group, for example, showed the best gains, with General Motors' sales up 13.4%, Chrysler's up 13.7%, and American Motors' up 21.8%. But Ford proved the exception, as its volume eased 1.5%.

**Food and retail sectors.** Food processors, food chains, and general retailers showed almost uniform, though modest, gains. But the two meat packers on the list, Armour and

## 1960's billion-dollar club

| In sales:         | 1960 Sales and other Income (millions \$) | 1959-60 change | 1960 Sales and other Income (millions \$) | 1959-60 change     |
|-------------------|---|----------------|---|--------------------|
| General Motors    | \$12,870.5                                | +13.4          | Nat'l Dairy Pdts.                         | 1,673.1 + 3.8      |
| Stand. Oil (N.J.) | 8,915.0                                   | + 2.3          | Union Carbide                             | 1,577.9 + 1.4      |
| AT&T (a)          | 8,110.3                                   | + 7.6          | Goodyear Tire                             | 1,556.7 - 1.8      |
| Ford Motor        | 5,368.8                                   | - 1.5          | Boeing                                    | 1,556.1 - 5.6      |
| A&P               | 5,246.6(b)                                | + 3.9          | RCA                                       | 1,494.9 + 7.1      |
| General Electric  | 4,250.7                                   | - 3.4          | J. C. Penney                              | 1,469.9(c) + 2.1   |
| Sears, Roebuck    | 4,165.1(c)                                | + 2.5          | Int'l Bus. Mach.                          | 1,468.3 + 9.6      |
| U.S. Steel        | 3,698.5                                   | + 1.5          | Proc. & Gamble                            | 1,446.9(g) + 5.5   |
| Socony Mobil      | 3,645.7                                   | + 3.7          | R. J. Reynolds                            | 1,418.6* +10.2     |
| Gulf Oil          | 3,240.6                                   | + 1.2          | Lockheed                                  | 1,335.2 + 2.2      |
| Texaco            | 3,140.8                                   | +11.0          | Montg'ry Ward                             | 1,249.0(h) + 2.2   |
| Chrysler          | 3,016.7                                   | +13.7          | Sinclair Oil                              | 1,237.8 - 0.7      |
| Western Electric  | 2,647.9                                   | +14.0          | Phillips Pet.                             | 1,228.6 + 4.2      |
| Safeway Stores    | 2,469.0(d)                                | + 3.6          | Amer. Tobacco                             | 1,216.0* + 4.7     |
| Swift             | 2,448.8(e)                                | - 1.3          | Firestone Tire                            | 1,213.8(f) + 1.7   |
| Du Pont           | 2,321.4                                   | + 1.3          | Gen. Tel. & Elec.                         | 1,181.2(i) + 9.0   |
| Bethlehem Steel   | 2,209.0                                   | + 6.3          | Douglas Aircraft                          | 1,174.9 +32.5      |
| Stand. Oil (Cal.) | 2,053.0                                   | + 7.5          | Sperry Rand                               | 1,170.0E(k) - 0.6E |
| Stand. Oil (Ind.) | 2,038.2                                   | + 2.9          | General Foods                             | 1,163.9(k) + 6.6   |
| Gen. Dynamics     | 1,991.9                                   | + 9.7          | American Motrs                            | 1,139.5(l) +21.8   |
| Westinghouse      | 1,980.4                                   | + 2.4          | Continental Can.                          | 1,122.3 - 2.9      |
| Kroger            | 1,870.3(d)                                | - 2.2          | Republic Steel                            | 1,064.1 - 1.8      |
| Shell Oil         | 1,838.5                                   | + 1.0          | F. W. Woolworth                           | 1,059.3 + 4.9      |
| Armour            | 1,740.5(e)                                | - 7.0          | American Can                              | 1,059.2 - 4.5      |
| Int. Harvester    | 1,699.8(f)                                | - 2.4          | Int'l Paper                               | 1,015.1 - 1.8      |
|                   |   |                | American Stores                           | 1,011.5(j)▲ +13.7  |

| In assets:        | 1960 Assets† (millions \$) | 1959-60 change | 1960 Assets† (millions \$)  | 1959-60 change   |
|-------------------|----------------------------|----------------|-----------------------------|------------------|
| AT&T (a)          | \$22,558.3                 | + 8.4          | Atchison, Topeka & Santa Fe | 1,598.2 + 0.2    |
| Stand. Oil (N.J.) | 10,090.4                   | + 2.0          | Union Pacific               | 1,553.3 0.0      |
| General Motors    | 8,553.1                    | + 8.2          | Westinghouse                | 1,521.1 + 1.5    |
| U.S. Steel        | 4,780.8                    | + 1.5          | Amer. Elec. Pow.            | 1,507.2 + 3.4    |
| Ford Motor        | 4,031.5                    | + 3.2          | El Paso Nat. Gas            | 1,504.9 - 0.7    |
| Gulf Oil          | 3,843.4                    | + 7.5          | Sinclair Oil                | 1,486.6 + 1.4    |
| Texaco            | 3,646.8                    | + 8.9          | Int'l Harvester             | 1,456.3(f) - 1.8 |
| Socony Mobil      | 3,455.4                    | + 3.6          | Southern Co.                | 1,400.3 + 9.5    |
| Du Pont           | 3,134.2                    | + 4.1          | Pub. Serv. E.&G.            | 1,391.2 + 8.8    |
| Stand. Oil (Ind.) | 2,925.7                    | + 2.8          | Alcoa                       | 1,374.1 + 1.0    |
| Pennsylvania RR   | 2,873.2                    | - 1.7          | Chrysler                    | 1,368.5 - 0.5    |
| Stand. Oil (Cal.) | 2,782.3                    | + 7.9          | So. Cal. Edison             | 1,352.1 + 8.0    |
| General Electric  | 2,551.3                    | - 0.4          | Cities Service              | 1,342.6 + 3.4    |
| N.Y. Central RR   | 2,512.5                    | - 1.9          | Columbia Gas                | 1,256.4 + 4.7    |
| Pacific Gas & El. | 2,478.7                    | + 3.8          | Baltimore & Ohio            | 1,252.4 - 0.8    |
| Consol. Edison    | 2,449.1                    | + 8.6          | Missouri Pacific            | 1,166.9 + 1.6    |
| Bethlehem Steel   | 2,275.0                    | + 0.3          | Republic Steel              | 1,139.0 +10.1    |
| Southern Pacific  | 2,241.1                    | - 0.2          | Anaconda                    | 1,085.7 + 0.5    |
| Gen. Tel. & Elec. | 2,204.9(j)                 | +21.1          | Philadelphia El.            | 1,074.8 + 2.9    |
| Sears, Roebuck    | 2,203.9(c)                 | + 2.6          | Chesap'ke & Ohio            | 1,065.9 - 0.2    |
| Shell Oil         | 1,885.3                    | + 6.7          | Niag. Moh'k Pw.             | 1,062.3 + 4.7    |
| Commonw'th Ed.    | 1,736.5                    | + 4.8          | Goodyear Tire               | 1,037.0 + 3.5    |
| Tennessee Gas     | 1,733.6                    | +20.5          | Northern Pacific            | 1,010.7 + 0.5    |
| Union Carbide     | 1,712.9                    | + 4.9          | Consumers Pow.              | 1,010.3 + 8.0    |
| Western Electric  | 1,664.8                    | +12.9          | Detroit Edison              | 1,004.8 + 2.8    |
| Phillips Pet.     | 1,646.8                    | + 4.2          | Armco Steel                 | 1,003.7 - 1.8    |
| Int'l Bus. Mach.  | 1,624.5                    | +10.8          |                             |                  |

(a) Excluding Western Electric Co.; (b) year ended February 25, 1961; (c) year ended January 31, 1961; (d) 52 weeks ended December 31, 1960 vs. 53 weeks ended January 2, 1960; (e) year ended October 29, 1960; (f) year ended October 31, 1960; (g) year ended June 30, 1960; \* includes substantial amounts excise taxes; (h) year ended February 1, 1961; (i) British Columbia Telephone consolidated for first time in 1960; (j) year ended April 2, 1961; ▲ includes operations of Alpha Beta stores; (k) year ended March 31, 1961; (l) year ended September 30, 1960. † Assets are net of depreciation but include U.S. government securities carried to offset taxes. E-BW estimate.

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POSITION \_\_\_\_\_  
COMPANY \_\_\_\_\_  
ADDRESS \_\_\_\_\_  
CITY & STATE \_\_\_\_\_  
NUMBER OF CARS OPERATED \_\_\_\_\_

Swift, reported sales below those of 1959.

In other industries, the tug of war was even more dramatic.

In the aircraft industry, Douglas led both the group and the whole list with its 32.5% gain. General Dynamics registered a 9.7% rise, and Lockheed increased volume by 2.2%. On the other hand, Boeing's volume dropped 5.6% and United Aircraft and North American Aviation failed to make the inner circle.

**The asset side.** There was more uniformity on the asset side of the billion-dollar club, with most companies registering gains. But while last year only the Pennsylvania, New York Central, and Baltimore & Ohio

railroads showed asset declines, this year they were joined by a number of other rails and some industrials—Chrysler, General Electric, International Harvester, and Armco Steel.

The largest asset gain was posted by General Telephone & Electronics, which was helped by its consolidation of British Columbia Telephone.

**Utilities.** As usual, most of the other sizable asset increases were reported by utilities. The industry provided two new members of the asset group—Consumers Power and Detroit Edison.

One utility, American & Foreign Power, had the dubious distinction of departing from the list—the result of the loss of its Cuban properties.

## Consumer credit perks up

But the industry expects no real boom, especially with the auto sales nothing to boast about

**In consumer credit**, as in other areas of the economy, the recession is over. From all appearances, the low point was reached as far back as February, and the trend since then has been upwards. But the consumer credit industry is not expecting a boom.

This emerges from a Business Week check of executives in both banks and finance companies. They make several points:

- The rate of increase in consumer installment borrowing (up \$48-million in March, after a \$208-million drop in February) has been “disappointing.” A year ago February, consumer credit was up \$432-million, and in March, 1960, it jumped another \$482-million. “The trend is in the right direction,” says Charles T. Crossfield, vice-president of Commercial Credit Co., third largest auto lender, “but that’s about all I can say for it.”

- Auto sales have not been up to early hopes. Since auto credit is the largest single segment in total consumer installment borrowing (\$17.3-billion out of \$42.1-billion) this means a slow recovery for most finance companies.

Consumer credit, of course, is a good guide to over-all consumer buying intentions. This is especially true in durable goods such as autos, which are so crucial to the economy. Clearly, unless consumers are confident, they’re not going to be much interested in going further into debt.

This year, consumers made net repayments in January and Febru-

ary; now they are slowly adding to their debt. And if this slow rate of increase continues through the spring, it could mean a recovery as mild as the recession that preceded it.

**Used cars.** While consumer credit men don’t foresee any such boom as the stock market seems to be forecasting (page 25) they are encouraged by two factors:

1. Consumers are in a position to add to their indebtedness.

2. The used car market is improving rapidly. In the past this has often signaled an increase in new car sales.

Used car prices are particularly important for the finance companies because they determine how much, if anything, is lost on repossessions. Last fall, chiefly because of the boom in compact cars, prices in the used car market started to slide and losses on repossessions climbed to the highest level in 25 years. But this problem is apparently past. Used car prices have improved substantially in the past few months, and one big finance company, though it refuses to reveal the actual dollar amount, says that repossession losses are running from \$100 to \$125 less per car than they were last winter.

Tied in with the reduction in losses on repossessions is a general cutback in the number of people who are behind in payments. “Delinquency is down across the board,” says one finance company. “We think we’ve got it under control.” **End**

# In finance

**BW**

## Union Oil's \$120-million financing may help out Gulf Oil, too

Union Oil Co. of California has proposed a \$120-million financing that serves a number of purposes—it not only promises to be rewarding to Union but to solve a big problem for Gulf Oil Corp.

In 1956, Gulf bought \$120-million in 3¼% debentures from Union Oil, convertible into about 22% of Union Oil's stock. But the Justice Dept. has frowned on conversion—and any exercise of control over Union by Gulf (BW—Oct. 22 '60, p. 122); it also moved to stop Phillips Petroleum Co., holder of 1.3-million shares of Union Oil, from buying any additional stock.

So Union Oil will apply the proceeds of its \$120-million offering toward the repurchase of the 3¼% debentures from Gulf. For Gulf, it's a sound deal, since it will be getting par value—some bond men say that such debentures, in present market conditions, could be expected to be valued below par—which means it will have \$120-million in cash to invest.

Union Oil's financing—split between a \$60-million straight debenture issue and a \$60-million convertible debenture issue—also will mean that probably no more than 1-million shares would have to be reserved for conversion. This would mean far less dilution for shareholders than if Gulf had turned in its debentures.

## Industry fight erupts over legality of takeover of S&L association

A sharp intramural fight that seems likely to spread has erupted in the savings and loan industry. On one side is Bart Lytton, millionaire Beverly Hills S&L baron, who controls Lytton Financial Corp., a \$100-million savings and loan holding company. On the other is the U.S. Savings & Loan League, which represents most of the nation's 6,000 S&Ls.

C. Elwood Knapp, president of the U.S. S&L League, charged Lytton with moves that were of "questionable legality and certainly inappropriate" in "taking over" Beverly Hills Federal Savings & Loan Assn. According to Knapp, Lytton's wife and two other associates were elected to the board of Beverly Hills as part of a deal in which Lytton Financial bought Southland Co., a mortgage company, from the former Beverly Hills management for \$1.5-million.

Knapp points out that by law federal S&Ls are mutual institutions, controlled only by savings account holders. But some state-chartered S&Ls, including many in California, are stockholder—rather than saver-controlled. Says Knapp, "A mutual savings association . . . cannot be sold or bartered as a personal possession by its management."

The Federal Home Loan Bank Board, which regulates federally insured S&Ls, is looking into Knapp's charges, and may take action against Lytton.

Lytton doesn't deny Knapp's charge. But Lytton does

say that what's bothering the U.S. League isn't the Beverly Hills deal at all ("This sort of thing goes on all the time.") but the fact that he is at odds with most S&L men over the question of whether the industry's favored tax position—for all practical purposes S&Ls are tax-exempt—should be terminated. Lytton calls this "preposterous," says that "it's time S&L men stopped thinking taxes are something to be borne by the other fellow."

## Four Texas Instruments executives buy Blakley's control of Braniff

Four top executives of Texas Instruments, Inc., have purchased one-third interest—and working control—in Braniff Airways, Inc. Sen. William A. Blakley (D-Tex.) and the Blakley-Braniff Foundation sold their 1-million share interest in the airline for \$13.5-million in cash to J. E. Jonsson, chairman of TI; Eugene McDermott, chairman of TI's executive committee; P. E. Haggerty, president, and Cecil H. Green, honorary board chairman of a TI subsidiary.

The purchasers say they will not ask for board membership at present, nor do they plan any staff changes. But they feel Braniff can be turned into a substantial money-maker, which suggests they plan a number of changes. The airline earned only \$720,000 on total operating revenues of \$86.5-million in 1960, down from net earnings of \$2.5-million the year before.

Blakley is running—against Republican John Tower in a special run-off May 27—for election to the Senate seat to which he was appointed to replace Vice-Pres. Johnson. He says his decision to sell was prompted by the conviction that he could best represent Texans on a full-time basis by divesting himself of Braniff stock—and the responsibilities such ownership carries with it.

There has been talk that Blakley has met trouble in financing a \$110-million business center in Dallas. Persons close to him deny it, however. They say that negotiations to borrow some \$100-million in long-term money for the center are near completion.

To the TI group, Braniff offers some attractive points in addition to personal investment diversifications. For one thing, Braniff is in a good position to buy Pan American's share of Panagra—jointly held with W. R. Grace—which also flies to South America; the court has ordered Pan Am to divest itself of that holding.

## Branch banking set back in Illinois

Branch banking in Illinois has been pushed back again by the defeat of a branching bill in the state's House Banking Committee. Sponsors say there's no chance for revival before 1963. Support for the legislation came from Chicago's big banks, but the Illinois Bankers Assn. wielded enough power to knock out the bill, contending that branch banking would result in a virtual monopoly for the large banks.

# Negotiating new work rules

**Railroads and five unions are presenting their cases to President's Study Commission, which has until yearend to settle thorny issues**

**Promptly at 9:15 a.m.** every Monday, 15 men meet in the high-ceilinged, recess-lighted conference room of a new Washington, D. C., office building to begin a round of unusual and critical bargaining sessions. They have been meeting for four months and expect to continue through 1961.

They are the members of the President's Railroad Study Commission—assigned the unenviable task of settling a long and bitter dispute between the nation's railroads and five operating rail unions.

Their deadline is Dec. 31, with a 90-day grace period—if necessary.

**Preliminary work.** So far, nobody knows whether the extra time will be required, or even whether a negotiated settlement is possible. The dispute runs the gamut of bargaining issues on the railroads, but centers on the thorny subject of work rules.

At this point, with a month to go before the halfway mark is reached, there have been no actual negotiation sessions. The commission—headed by Judge Simon H. Rifkind as one of five public members, along with five each from the carriers and unions—is barely midway in hearing both sides lay out the issues.

When both sides finish presenting their hundreds of demands, the commission's public members will begin the serious business of trying to negotiate a settlement. The parties accepted the commission idea, first proposed by former Labor Secy. James P. Mitchell, because they conceded they were unable to settle their conflict face-to-face.

## I. New work rules

This dispute actually began late in 1958. It was initiated by the nation's 100 first-class railroads, which had laid out a set of work rules proposals to change pay systems and working assignments of the crews that man the passenger and freight trains. The carriers charged that their outmoded work structure has been costing them \$600-million annually to pay for the unneeded manpower.

The five railroad unions—Engineers, Firemen, Switchmen, Conductors, and Trainmen—refused the rail demand and countered with their own set of demands, including a shorter working day and a guaranteed annual wage.

When negotiations failed to make a dent in the issues, Pres. Eisenhower set up the Railroad Commission, and Mitchell became its first chairman. Mitchell resigned to run on the Republican ticket for governor of New Jersey, and Pres. Kennedy named Rifkind as his successor.

**Automation is blamed.** The dispute, as in many other industries, is an outgrowth of automation. The carriers claim their modern, high-speed trains require drastic revision in the way train crews are paid and in the methods and size of train crews that perform the work. The rail unions counter that automation and rail consolidations have taken away 600,000 railroad jobs in the past decade, and that members need job protection, not job reduction.

## II. Pattern of meetings

After four months, the hearings have shaken down into something of a pattern. Last week was typical.

With no fanfare and a minimum of small talk, the hearings began with a sharp rap of the gavel by the public member chairman, surrounded by his associates and flanked by the railroad and union representatives. J. L. Davis, assistant director of personnel of the Louisville & Nashville RR, began a presentation of facts and figures on his railroad's pay system. His presentation became exhibit No. 130 in the commission hearings.

**Cross-examination.** Pay systems were the third main issue presented by the carriers, following extensive reports on two other rail demands—elimination of the firemen of diesel engines and trimming of crew sizes on trains. Once the pay rate demand is spelled out, both the commission members and the union representatives will cross-examine the wit-

nesses, much in the manner of a court proceeding, although the witnesses are not actually sworn in.

As in all the commission hearings, the meetings are open to anyone who cares to go to them. But, because of the length and complexities of the hearings, few outsiders attend. Besides the commission members and a six-member staff, along with attorneys and specialists from both sides, only a handful of railroad representatives were present.

**Other jobs.** The hearings are only one phase of the commission's work. The commission's full-time staff carries on concurrent studies of the rail employee structure, as well as reviewing automation problems in other industries. And its public members have taken a first-hand look at actual railroad operations, including a ride on a Chesapeake & Ohio freight from Washington, D. C., to Charlottesville, Va.

## III. The issues

A breakdown of the demands, on both sides, reveals the wide range of differences.

The carriers demand:

1. Elimination of firemen on diesel freight trains, reducing the engine crew size from three to two. The carriers claim the third job is unnecessary, costing an estimated \$200-million annually.

2. A change in the system under which passenger crews receive a day's pay for a 100-mile run. The carriers claim that faster, more modern trains make this pay scale obsolete. They want to extend the one-day pay rate to 160 miles.

3. Revision of work rules requiring changing rail crews at specific points in the run. The railroads want the right to assign crews for extended runs through current crew-change points.

The rail unions counter with these demands:

1. A guaranteed wage for the next 12 months for workers with at least five years' service.

2. A "financial protection" plan

that would guarantee a monthly paycheck for the next five years to rail workers who become unemployed because of rail mergers or technological changes.

3. A shorter work day for train crews. Its length would depend on their assignments as well as pay differentials for night work and working hours spent away from home terminals.

#### IV. More complicated

These are highlights of the demands on both sides that, in total, are much more extensive and complicated—and based on the intricate patterns of railroad work.

Once these are fully spelled out, the commission's public members

will attempt to bring about an agreement between the parties. Barring this, the commission is authorized to propose recommendations for settlement. These are not binding on the parties, but they probably will carry the weight of the public behind them, and that may help to bring about an agreement.

So far, however, the hearings have only provoked heated exchanges from both sides. At one point, James W. Oram, vice-president of the Pennsylvania RR, charged that the present rail pay rate system produced "artificial, unjustified increases in earnings for many employees." The rail unions countered that the carriers' proposals "would extract more work at less pay . . . and roll back pay standards 40 years."

## Hoffa aims at nationwide contract date

**Teamsters' maneuver to get it by 1967, or maybe even 1964, worries employers as sign of union's growing power**

James R. Hoffa, president of the International Brotherhood of Teamsters, this week reported "satisfactory progress" in IBT's campaign for a common expiration date for contracts covering a million drivers. If the timetable isn't upset, most regional pacts may end Feb. 1, 1967.

A single termination date for contracts would give the Teamsters power to paralyze highway transport through a nationwide strike. Hoffa contends the union isn't seeking this power. It's interested in a common expiration date "only as a common sense move," he told reporters.

"We can't have a truck strike in one city or region now without it affecting other areas," Hoffa said. "The way we bargain now, we have a potential of strikes five or six times a year. We negotiate with the same employers, no matter where we negotiate. We talk about the same things. The employers have their American Trucking Assn."

Hoffa said the "sensible" thing under these circumstances would be national negotiations. Some employers concede there would be advantages, but Hoffa is expected to run into continuing opposition.

**Growing power.** Employers generally seem less afraid of the possibility of a national tieup of trucking ("Hoffa knows too well what the consequences would be, in Congress," one said) than of the Teamsters' growing power.

This power has been applied in

recent months with these results:

- Contracts of the Central Conference of Teamsters and the Southern Conference will run out Feb. 1, 1964; they directly cover 194,000 drivers in 22 states, apply indirectly to 300,000 others. Hoffa has announced plans to bargain next to extend these contracts to Feb. 1, 1967.

- Contracts covering 15,000 drivers directly (25,000 indirectly) in Massachusetts, Rhode Island, Connecticut, and Maine have been timed to expire Feb. 1, 1964. Employers have agreed to grant wages and fringes negotiated by the Central and Southern Conferences in 1964 and to extend the termination date to conform to the others.

- Pittsburgh employers were asked to accept a Feb. 1, 1967, expiration date for a pact covering 14,000 workers.

- Hoffa is now negotiating for a Feb. 1, 1964, termination for 150,000 drivers in the Western conference, and for 2,000 West Virginia drivers. He expects to reach settlements that will bring 65,000 New York and New Jersey drivers under a contract in line with the Central States agreement, and plans to press for a Feb. 1, 1967, date for 21,000 Teamsters in North and South Carolina, Virginia, Maryland, and the District of Columbia.

The strategy of 1964 and 1967 dates: Hoffa's target is 1967, but he hasn't ruled out a possibility of achieving it in half the time. **End**

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## Separate sheep from goats among employers who go out of business, union head advises

Union contracts should distinguish between employers who go out of business because they have no choice and those who profit by closing, according to David Livingston, president of the Retail, Wholesale & Department Store Union's District 65.

"Where the employer goes out with his pile intact to look for greener pastures to graze while the workers face only calamity, the contract should provide a penalty . . . double or maybe triple severance pay," Livingston says in the union newspaper.

Livingston's reflections were prompted by the closing of Arthur Beir & Co. of New York, the largest and oldest textile concern under contract with the union, following a series of liquidations among other District 65 employers.

## Goldberg moves to toughen penalties for mismanagement of welfare funds

Labor Secy. Arthur Goldberg is pushing efforts to tighten the 1958 Welfare & Pension Fund Reporting Act. This law was designed to prevent mismanagement of the country's \$40-billion in welfare and pension funds. It was attacked as weak by both Pres. Eisenhower and his Labor Secy. James P. Mitchell.

**Goldberg has drafted amendments that would:**

- Permit the Labor Dept. to investigate the reports it receives—at present it merely files them—and to subpoena witnesses.
- Authorize the department to seek injunctions compelling compliance with the law without waiting for individual employees to initiate the action.
- Punish the embezzlement of pension and welfare funds with up to five years' imprisonment and a \$10,000 fine.
- Punish the offering or acceptance of money to influence decision on the use of such funds with up to three years' imprisonment and a \$10,000 fine.

## Packinghouse Workers plan to stress job security in contract negotiations

The United Packinghouse Workers last week put together a package of 1961 bargaining demands that places a strong emphasis on proposals to offset the industry's ability to step up production with fewer workers. The UPW stressed a goal of "stabilization of employment and new job opportunities for our unemployed."

It wants a reduced work week with no cut in weekly pay or a 13-week leave with pay every five years for packinghouse workers—"a sort of sabbatical."

Further, it wants a contractual guarantee that a com-

pany won't close plants covered by its contracts during the term of the agreement, and it suggests a guaranteed income plan protecting workers against permanent layoffs during each contract period.

UPW contracts run out Sept. 1. Bargaining will get under way in late July or August.

## Utility union to bring foreign workers to New York for a year's training

A pilot project for "a Peace Corps in reverse" has been set up by Local 1-2 of the Utility Workers Union, which represents workers of Consolidated Edison Co. of New York, Inc.

Six African and French workers are being chosen by utility unions in Morocco, Nigeria, Tunisia, Algeria, Kenya, and France—one from each country—to come to New York, under State Dept. auspices, for a year's on-the-job training at Con Ed plants. Con Ed will pay them standard wages while they learn.

## 1961 round of auto bargaining slated to begin at end of June

General Motors Corp. will open the 1961 round of Big Three auto bargaining with contract talks with the United Auto Workers on June 28. Ford Motor Co. negotiators will meet with UAW the following day, and Chrysler Corp. and the union will begin talks June 30.

The Big Three normally employ some 550,000 auto workers.

American Motors Corp. and UAW will meet on new contract terms July 6, and Studebaker-Packard Corp. and the union will open negotiations in mid-September.

Big Three contracts expire Aug. 31 and the AMC contract runs out a week later. Studebaker's pact extends into October.

## New contract for Milwaukee brewery workers provides wage hikes of 15¢ to 20¢ per hour

Some 5,000 Milwaukee brewery workers will receive hourly raises of 15¢ to 20¢ under terms of a new two-year contract.

Workers at four breweries—Pabst, Schlitz, Miller, and Gettelman—will get 10¢ June 1 and another 10¢ next June. Workers at a fifth, the Independent Milwaukee Brewery, will get 10¢ June 1 and either 10¢ or 5¢ next June—10¢ if Independent Milwaukee's sales show a 10% gain over the previous year, 5¢ if they fall short of this goal.

The contract also provides a fifth week of vacation after 20 years' service, raises weekly sick benefits from \$55 to \$60, and increases life insurance from \$4,000 to \$4,500.

# Measure of Personal Income

Millions of dollars

(not adjusted for seasonal variations)

| State                | 1953-55<br>Average | March<br>1960     | February<br>1961  | March<br>1961     | % change<br>versus<br>year ago | First three months |                   | % change<br>versus<br>year ago |
|----------------------|--------------------|-------------------|-------------------|-------------------|--------------------------------|--------------------|-------------------|--------------------------------|
|                      |                    |                   |                   |                   |                                | 1960               | 1961              |                                |
| Alabama .....        | \$286.4            | \$385.2           | \$383.1           | \$389.8           | + 1.2%                         | \$1,172.3          | \$1,165.3         | - 0.6%                         |
| Alaska .....         | 41.9               | 46.1              | 47.8              | 47.5              | + 3.0                          | 127.1              | 143.0             | +12.5                          |
| Arizona .....        | 126.9              | 213.3             | 225.4             | 227.7             | + 6.8                          | 641.9              | 688.4             | + 7.2                          |
| Arkansas .....       | 153.5              | 183.0             | 185.0             | 187.5             | + 2.5                          | 557.5              | 568.6             | + 2.0                          |
| California .....     | 2,341.7            | 3,561.3           | 3,633.5           | 3,710.3           | + 4.2                          | 10,641.0           | 11,028.0          | + 3.6                          |
| Colorado .....       | 217.2              | 325.4             | 348.1             | 351.5             | + 8.0                          | 981.6              | 1,055.9           | + 7.6                          |
| Connecticut .....    | 440.7              | 609.3             | 618.0             | 622.6             | + 2.2                          | 1,832.3            | 1,851.1           | + 1.0                          |
| Delaware .....       | 78.6               | 122.2             | 117.8             | 119.8             | - 2.0                          | 361.4              | 357.4             | - 1.1                          |
| District of Columbia | 158.2              | 186.6             | 195.7             | 197.6             | + 5.9                          | 560.4              | 587.1             | + 4.8                          |
| Florida .....        | 456.8              | 843.2             | 894.2             | 883.0             | + 4.7                          | 2,580.8            | 2,681.4           | + 3.9                          |
| Georgia .....        | 383.2              | 502.3             | 513.8             | 525.5             | + 4.6                          | 1,542.3            | 1,553.4           | + 0.7                          |
| Hawaii .....         | 76.0               | 113.7             | 130.5             | 130.7             | +15.0                          | 339.9              | 391.5             | +15.2                          |
| Idaho .....          | 74.5               | 104.0             | 98.5              | 100.9             | - 3.0                          | 308.7              | 304.6             | - 1.3                          |
| Illinois .....       | 1,677.5            | 2,247.9           | 2,209.8           | 2,229.0           | - 0.8                          | 6,772.8            | 6,680.5           | - 1.4                          |
| Indiana .....        | 663.5              | 824.0             | 806.9             | 813.2             | - 1.3                          | 2,521.8            | 2,436.2           | - 3.4                          |
| Iowa .....           | 357.3              | 464.7             | 496.1             | 479.3             | + 3.1                          | 1,388.7            | 1,491.6           | + 7.4                          |
| Kansas .....         | 281.8              | 354.6             | 383.1             | 381.5             | + 7.6                          | 1,101.9            | 1,167.6           | + 6.0                          |
| Kentucky .....       | 307.1              | 369.6             | 388.3             | 391.4             | + 5.9                          | 1,156.4            | 1,200.9           | + 3.8                          |
| Louisiana .....      | 318.3              | 450.4             | 448.2             | 457.4             | + 1.6                          | 1,348.6            | 1,370.0           | + 1.6                          |
| Maine .....          | 112.8              | 149.5             | 154.0             | 152.7             | + 2.1                          | 448.6              | 460.0             | + 2.5                          |
| Maryland .....       | 432.3              | 608.8             | 597.6             | 609.4             | + 0.1                          | 1,825.2            | 1,806.6           | - 1.0                          |
| Massachusetts .....  | 799.8              | 1,067.6           | 1,081.1           | 1,085.4           | + 1.7                          | 3,193.2            | 3,249.3           | + 1.8                          |
| Michigan .....       | 1,234.1            | 1,619.3           | 1,367.0           | 1,372.7           | -15.2                          | 4,974.9            | 4,146.7           | -16.6                          |
| Minnesota .....      | 434.8              | 579.6             | 587.4             | 592.6             | + 2.2                          | 1,737.3            | 1,783.4           | + 2.7                          |
| Mississippi .....    | 160.9              | 205.2             | 203.6             | 206.8             | + 0.8                          | 623.4              | 617.6             | - 0.9                          |
| Missouri .....       | 600.9              | 787.4             | 795.5             | 810.9             | + 3.0                          | 2,372.4            | 2,423.6           | + 2.2                          |
| Montana .....        | 92.3               | 105.6             | 111.0             | 113.5             | + 7.5                          | 323.4              | 341.7             | + 5.7                          |
| Nebraska .....       | 182.5              | 237.0             | 254.3             | 246.9             | + 4.2                          | 731.0              | 771.9             | + 5.6                          |
| Nevada .....         | 43.1               | 65.1              | 65.7              | 68.7              | + 5.5                          | 191.7              | 201.3             | + 5.0                          |
| New Hampshire ....   | 75.2               | 104.4             | 104.8             | 105.8             | + 1.3                          | 310.8              | 316.4             | + 1.8                          |
| New Jersey .....     | 982.9              | 1,354.8           | 1,360.7           | 1,377.5           | + 1.7                          | 4,063.1            | 4,102.2           | + 1.0                          |
| New Mexico .....     | 91.8               | 141.7             | 138.0             | 144.2             | + 1.8                          | 432.9              | 428.6             | - 1.0                          |
| New York .....       | 2,887.9            | 3,943.9           | 3,927.4           | 3,969.9           | + 0.7                          | 11,831.8           | 11,836.9          | + 0.04                         |
| North Carolina ..... | 429.0              | 526.2             | 559.5             | 566.3             | + 7.6                          | 1,635.5            | 1,688.0           | + 3.2                          |
| North Dakota .....   | 67.4               | 79.4              | 82.3              | 81.8              | + 3.0                          | 248.0              | 253.4             | + 2.2                          |
| Ohio .....           | 1,476.3            | 1,912.9           | 1,807.7           | 1,830.9           | - 4.3                          | 5,787.6            | 5,472.2           | - 5.4                          |
| Oklahoma .....       | 268.5              | 343.5             | 355.6             | 358.1             | + 4.3                          | 1,042.1            | 1,083.7           | + 4.0                          |
| Oregon .....         | 249.8              | 324.9             | 321.6             | 329.9             | + 1.5                          | 977.9              | 983.5             | + 0.6                          |
| Pennsylvania .....   | 1,678.6            | 2,282.1           | 2,104.7           | 2,138.5           | - 6.3                          | 6,676.0            | 6,371.3           | - 4.6                          |
| Rhode Island .....   | 129.9              | 160.8             | 161.9             | 162.5             | + 1.1                          | 480.1              | 482.4             | + 0.5                          |
| South Carolina ..... | 210.0              | 262.8             | 265.3             | 270.0             | + 2.7                          | 796.1              | 802.6             | + 0.8                          |
| South Dakota .....   | 73.7               | 86.6              | 92.7              | 92.7              | + 7.0                          | 267.6              | 286.7             | + 7.1                          |
| Tennessee .....      | 345.9              | 442.1             | 468.6             | 472.5             | + 6.9                          | 1,364.8            | 1,418.1           | + 3.9                          |
| Texas .....          | 1,132.9            | 1,509.2           | 1,521.5           | 1,543.3           | + 2.3                          | 4,582.9            | 4,658.7           | + 1.7                          |
| Utah .....           | 98.1               | 145.5             | 148.6             | 151.6             | + 4.2                          | 433.5              | 450.8             | + 4.0                          |
| Vermont .....        | 45.9               | 59.6              | 59.1              | 59.8              | + 0.3                          | 178.4              | 178.9             | + 0.3                          |
| Virginia .....       | 383.3              | 571.6             | 587.5             | 594.3             | + 4.0                          | 1,736.2            | 1,779.2           | + 2.5                          |
| Washington .....     | 418.0              | 532.2             | 545.9             | 552.9             | + 3.9                          | 1,603.3            | 1,657.8           | + 3.4                          |
| West Virginia .....  | 209.7              | 263.8             | 257.5             | 261.6             | - 0.9                          | 790.7              | 778.9             | - 1.5                          |
| Wisconsin .....      | 528.2              | 736.8             | 711.3             | 719.5             | - 2.4                          | 2,171.7            | 2,147.7           | - 1.1                          |
| Wyoming .....        | 45.9               | 52.5              | 56.4              | 57.2              | + 9.0                          | 159.7              | 173.1             | + 8.4                          |
| <b>NATION</b> .....  | <b>\$24,363.5</b>  | <b>\$33,169.2</b> | <b>\$32,979.6</b> | <b>\$33,346.6</b> | <b>+ 0.5</b>                   | <b>\$99,928.1</b>  | <b>\$99,875.7</b> | <b>- 0.1</b>                   |

March 1961, preliminary; February 1961, revised.

© Business Week

# Jets give state a surge of hope

Washington State, with lumber jobs in decline and efforts to diversify going slowly, sees signs of stability in job return at Boeing Co., state's biggest employer

In the eastern foothills of the Cascade Mountains in Washington, asparagus freezing and canning plants last week were busy processing the new harvest. Seattle workers were hurrying home to get in a good evening's sail on Lake Washington. Resort operators were sprucing up for summer.

All across the state of Washington, spring had finally taken hold. It was particularly welcome in the populous counties west of the Cascades, where weeks of dreary skies and rain had had a depressing effect on trade. With the sun bursting through, retailers felt sure consumers would be so cheered that May would be the first month of 1961 to top year-ago sales figures.

There was more than the weather, of course, to account for this new mood of buoyancy. The tally of the state's personal income for March (table, left) showed the first monthly gain this year, as well as a moderate increase over 1960 levels both for the month and the quarter.

Employment, it's true, was still lagging behind 1960; and in April, unemployment was an uncomfortable 7.7% of the labor force. But people took hope from the stability now evident in the employment picture.

**Boeing the key.** The key to this stability is the Boeing Co. Its 58,000 workers in the state—virtually all in the Seattle area—account for almost one-third of Washington's manufacturing employment and a substantial share of its 800,000 nonfarm jobs.

With changes in defense spending causing large layoffs elsewhere, there has been fear that Boeing might have to chop its payroll, too. From its peak of 70,000 workers in early 1959, Boeing had dropped by mid-1960 to 57,000, and every month a new blow of the ax was feared.

Instead, the news from Boeing has been good, and the apprehension has eased at last. This is partly because its defense programs are riding high. Pres. Kennedy provided 70 more KC-135 jet tankers in the new budget,

and there has been some agitation in Congress for more B-52 bombers. Partly it is because of Boeing's success in capturing the biggest chunk of the commercial jet market. Only last week American Airlines, Inc., announced it would buy 25 short-to-medium-range 727 jets.

**Edging up.** As a result, Boeing has managed to keep its work force level, and in recent weeks even to increase it slightly. The average income of its employees has been going up, as it replaces blue-collar workers with engineers and professional men.

With so many eggs in this basket, Washington State is fortunate that Boeing projects are fairly diversified—and successful. None benefits the state more than the sales of its jet passenger planes. Boeing has delivered 153 of its 707s and 46 of the 720s; it has 46 more 707s and 63 more 720s on order. It is just starting production of the 727s, for which American's order brings total sales to 117.

Boeing's two most important military projects are the KC-135 jet

## Early Easter was harbinger of economic recovery

For business, spring arrived early this year, bringing the first real signs of recovery. The economy shifted direction in March, and personal income turned up for the first time since October.

Business Week's Measure of Personal Income rallied in March, posting a 1.1% gain over February's poor showing (on an unadjusted basis), and edging 0.5% past March, 1960. The month's revival shoved total income for the first-quarter to within 0.1% of the same period last year.

**Minuses.** Only eight states failed to show some improvement over February. Five of those were farm states that declined seasonally—Iowa, Kansas, Nebraska, North Dakota, and South Dakota (which

held even). The other three also were affected by normal seasonal shifts—in Florida, by layoffs in citrus canning and packing; in Maine, by spring cutbacks in lumber, wood products, and leather; and in Alaska, by layoffs on construction projects started last year, plus a less than seasonal pickup in lumber.

**Pluses.** On the plus side, 41 states and the District of Columbia gained over the month—partly due to seasonal influences, more because of improved job opportunities in manufacturing, construction, and trade. Construction got a big assist from the balmy March weather, and more retail jobs were available as a result of the earlier Easter this year.

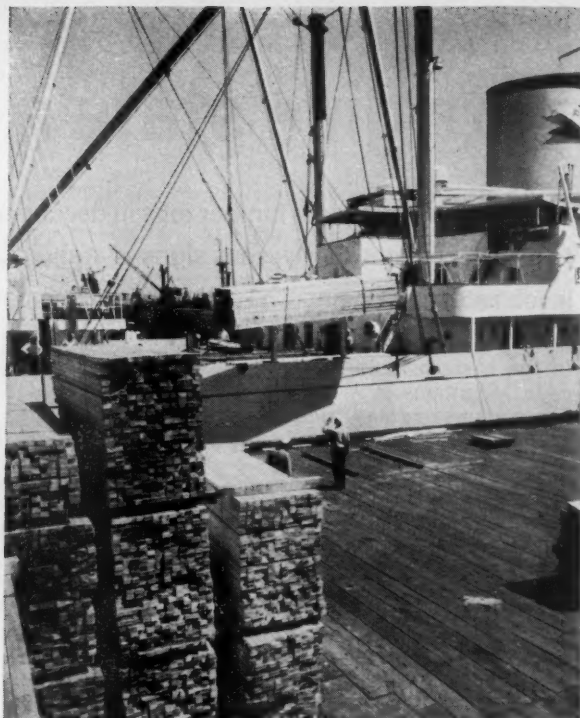
**Losers.** Seven key industrial states

—Delaware, Illinois, Indiana, Ohio, Michigan, Pennsylvania, and Wisconsin—all hit hard by the recession, topped the February low, although all fell short of March, 1960. Michigan suffered from mid-March layoffs in the automobile industry, which contributed to the 15% drop from year ago. Later in the month, however, rehiring started up and continued through April and May.

West Virginia and Idaho also were among the year-to-year losers; West Virginia's durable goods manufacturing industries improved over February, but were still running substantially below last year. Lower prices for potatoes and the continued sag in lumber operations cut into personal income in Idaho.



**Washington State's job hopes** rest heavily on Boeing Co. (above), with 58,000 workers in state; so jet tankers in U. S. budget and new commercial jet orders ease cutback fears.



**Lumber, state's second industry**, is hit by long-range decline and current housing slump. Timber companies try new products, but these can offset only part of drop in jobs.

tanker and the Minuteman ICBM missile. It has already delivered more than 400 KC-135s. Any stepup in B-52s would presumably bring additional new orders for the tankers beyond the 70 in the new budget, since the B-52s require them for in-flight fueling (Boeing builds the B-52s in Wichita, though it makes sections in Seattle). For the Minuteman ICBMs, Boeing assembles missile cases and electronic launching systems in Washington; the missiles are assembled in Utah.

**Lagging lumber.** Boeing's success in keeping its job level relatively stable has not been enough, however, to offset the job decline in Washington's second-largest industry, lumber and wood products.

At the heart of the decline are long-range causes: exhaustion of usable timber in Washington and a growing shift of timber company operations to Oregon, increasing mechanization, and competition for the builder's dollar from other materials—not only metals such as aluminum but lumber's own kin, plywood.

On top of all this has come the short-range impact of the housing slump. Both lumber and plywood prices have fallen—plywood dropped last week from \$68 to \$64 per 1,000 sq. ft.—after recovering

somewhat earlier. Timber men expect some second-half gains, but even so talk in terms of 1,150,000 housing starts for the year, with a sizable share in high-rise apartments using relatively little wood.

**Counterattack.** Timber men are not taking this calmly. To cut costs, they are steadily mechanizing (BW—Feb. 4 '61, p94). Even sawmill methods are changing profoundly. Near Olympia, and near Vancouver, Wash., Simpson Timber Co. and Long-Bell Div. of International Paper Co. have opened mills with far greater efficiency.

Timber companies are using more of each tree than ever before, burning as little as possible. Their research labs are coming up with new products—joining wood with aluminum, for instance. The new products, of course, are not enough to reverse the decline in lumber jobs; at best, they will only offset part of the drop.

**Diversifying.** Confronted thus with stability—at a high level—in its largest industry and decline in its second, Washington State is aggressively seeking new industrial plants to diversify its economy and provide a push for growth. State and local governments have stepped up promotion campaigns; some communities have prepared sites in industrial

districts. Business participation in area development is broad.

In former years, the state's natural resources were enough to attract industries. The abundant, cheap hydroelectric power, for example, drew aluminum company reduction plants. Now, with excess capacity in many industries that might go for Washington's resources, the state has to pursue companies that gear their plants to nearness to markets.

A number of companies came in during the 1950s, but it didn't take long for them to saturate the consumer market. Three oil refineries were built along Puget Sound, as a case in point; three other oil companies have sites nearby, but nobody expects them to build soon, because that much capacity isn't needed.

A few companies still come in. Dow Chemical Co. has begun a plant at Kalama on the Columbia to supply ingredients for adhesives sold to the plywood industry. At 200, its employment makes it the largest of the state's recent catches.

But with population growing more slowly now, the Northwest market simply is not expanding fast enough to lure many other companies. And economists such as Miner H. Baker of the Seattle First National Bank see nothing in sight to stimulate an increase in the growth rate now. **End**

# Economist fights to sell soap

**Fels-Naphtha brown soap—  
a buddy of grandma's—  
is taking a glamor course**

Ninety-five-year-old Fels & Co. got a new president this spring—the fifth since the founding of the Philadelphia soapmaker, whose brown laundry bar used to be a household word.

He is David C. Melnicoff, and he's a far cry from the conventional corporate executive. For instance, he is a fine clarinetist, spends Sundays performing in small chamber groups. He doesn't play golf—"Rather than play as badly as some of my friends, I just don't play." His predecessors at Fels spent their entire working lives in the business; he joined the company just two years ago.

**Economist by trade.** The most extraordinary aspect of Melnicoff's make-up is his training. He is a full-fledged economist, with the appropriate graduate schooling, teaching experience, stint of government service, and association memberships. The bookcases of his turreted greystone home in suburban Philadelphia are filled with titles such as *Readings in Price Theory*, *Short-Term Economic Forecasting*, and even *Economic Archeology*.

As president of Fels, he is still on the Committee of Economic Advisers to the Mayor of Philadelphia and a member of the Advisory Committee to the Economics Dept. at Princeton. Next week he will speak at Princeton at a conference of economists concerned with fiscal policy.

**Managerial problem.** The increasing role that economists are taking in management decision-making has been much noted (BW—Nov.14'59, p128). But it is still rare for one of their clan to step into the top corporate job. Perhaps it is especially unusual in the case of Fels, because Melnicoff will face especially knotty managerial problems.

The company is owned almost en-



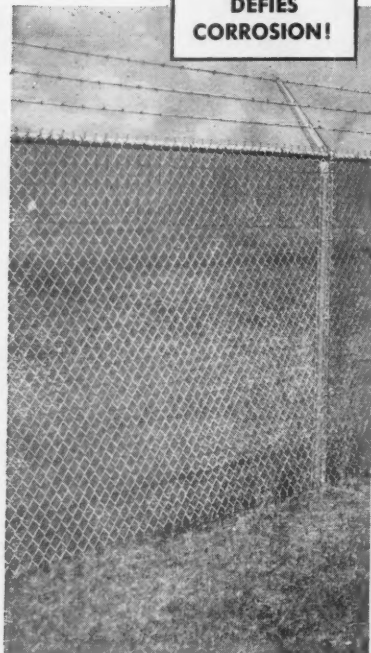
**David C. Melnicoff**, Fels' new president, clutches a bottle of cleaner—one of the new products through which the soapmaker hopes to regain its old marketing position. Melnicoff has been with the company only two years.

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tirely by three charitable foundations, and keeps its financial statistics as secret as the Manhattan Project. Yet it's no secret that the soap business is dominated by three giants—Procter & Gamble Co., Lever Bros. Co., Colgate-Palmolive Co. There are some strong smaller companies, to be sure, but most of them have only regional distribution. However, Fels—in the same league with, but smaller than, the \$75-million-a-year Purex Corp., Ltd.—has national distribution, and must meet the big companies head on in every state.

**Long nap.** Fels so far hasn't taken much advantage of the flexibility and ability to move fast that are supposed to be a smaller company's inherent advantage. Management napped too long, content with its financial strength and the fame of its laundry bar, as newer products—soap flakes, then artificial detergent powders, later liquid detergents—stole away customers. During the past decade, the company roused itself and began to market more modern products, but it still has a long way to go.

The trouble began in the early 1930s, when the big soapmakers introduced soap flakes. Flakes proved easier to work with than bar soap, and caught on rapidly. But Pres. Samuel S. Fels, son of the founder of the company and then in his seventies, refused to follow the trend. Sales of the Fels-Naphtha (now spelled Fels-Naptha) bar continued to fall. Finally, just before World War II, the company did market a soap chip product. But by then, soap powders had been introduced and were outselling flakes. The trade can only guess how severely these shifts hurt Fels. The best estimate is that the company racked up a couple of loss years in the late 1930s.

**Rude awakening.** World War II bailed the company out, but again after the war Fels & Co. waited when its competitors began making artificial detergents, based on industrial oils rather than animal fats. The company finally did come out with its own detergent in 1950, formulated by another soapmaker, but it never pushed with any real zest.

But also in 1950 Samuel Fels, after 36 years as president of the company, died at the age of 92. Cyril Fox, a long-time associate, took over the company. His job: to see that the company began turning out the kinds of products housewives were buying, so that the Fels & Co. strengths—a good distribution setup, an enviable reputation for soundness in the grocery trade, and a healthy bank account—could be put to work.

**Updating.** Fox got the company rolling. Under his leadership, instant Fels-Naphtha, a granulated form of the old naphtha laundry bar formula, was introduced in 1953. This is today the company's major product. That was followed with a liquid dishwashing detergent and a strong all-purpose household cleaner.

Fels also began to make private-brand detergents for some regional supermarket chains. A powdered detergent for automatic washers, Felsmatic, is now being test-marketed, and other products—maybe a fabric conditioner and at least one item that Melnicoff boasts is "really a new product category"—are being developed.

On the day that Melnicoff became president, the company dedicated a new research laboratory. The new president is counting on the work there to keep Fels supplied with a growing assortment of new products. Melnicoff also is thinking of entering the industrial cleaning field, and would be receptive to offers of acquisitions. He probably will be willing to borrow money for this expansion, should that become necessary. (Fels almost surely has no debt now; Fox, listing his business principles recently, began with "Buy only what you can pay for. Stay out of debt.")

**Economics helps.** Melnicoff's first job at Fels was to set marketing, financial, and production targets, oversee a timetable for introducing new products, and work out new budget goals. "I was just doing it by the book, but that kind of planning was new for Fels," Melnicoff says.

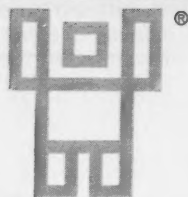
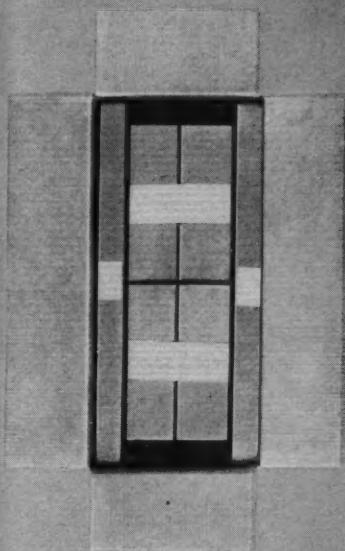
Melnicoff doesn't credit his economics training with making him a good executive, but he says that "a background in economics certainly doesn't hurt a business manager much—it probably hurts less than a background in engineering, say, or law."

The biggest plus he gives himself as an economist is for "probably making me more analytical"; the biggest drawback—the traditional economist "simply cannot take the matter of business strategy into account." The influence of individual people on a business especially, Melnicoff says, is simply dismissed by the economist because it can't be translated into a formula.

In his six weeks as president, Melnicoff says he has been thrown the kind of problems he expected, but "the surprises are ones of quantity, it's completely absorbing and very time-consuming . . . this is the kind of job you really get married to."

**Where ad dollars go.** Probably the bulk of his time is spent on marketing problems, because, in the com-

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## How Owens-Illinois corrugated boxes protect "Project Mercury" voice carrier

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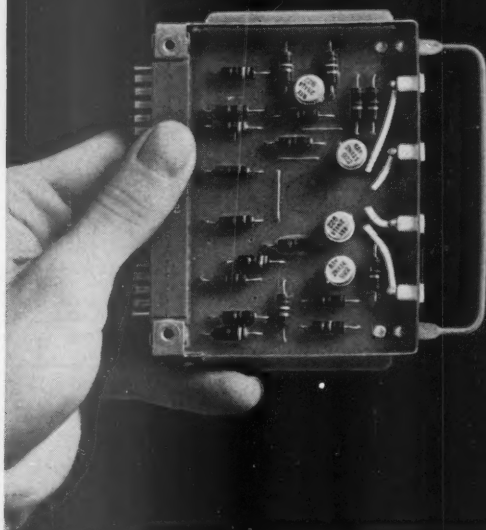
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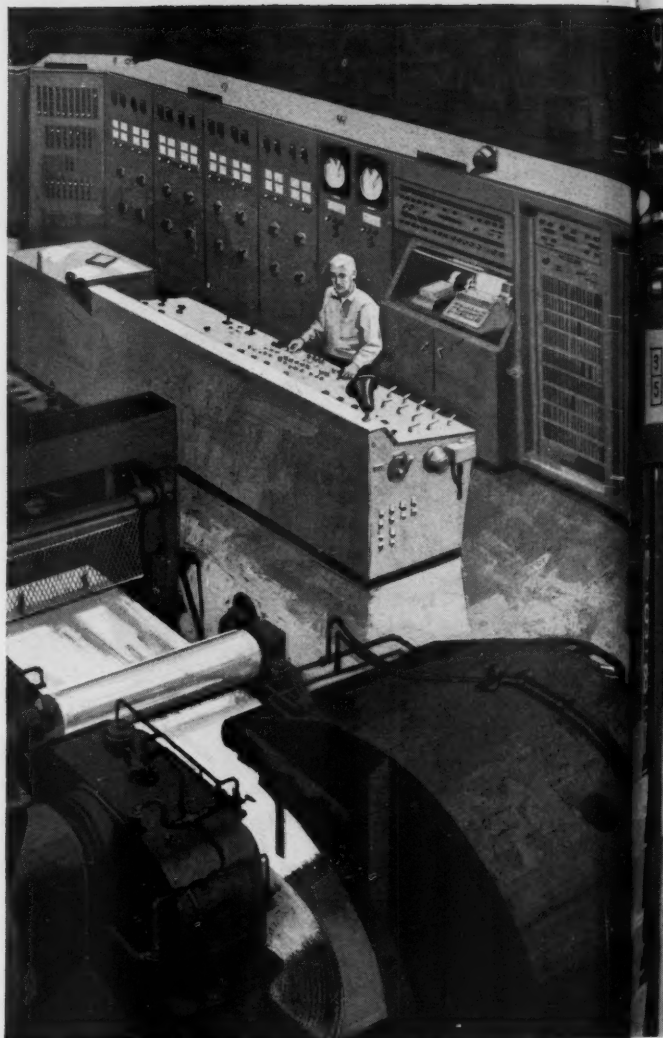
**MEMORY BOXES LIKE THIS**

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Memory boxes like this—digital modules in various combinations—are the key to *data accumulation*, basic to automation. Data accumulation provides *facts* that enable an operator to control a process better. It provides the *complete knowledge* of what is happening in a process that is an essential preliminary to complete automation.

Three examples of data accumulation that have paid off are shown above. Applications are as broad as your problems and engineering imagination. Typical applications are designed to improve production and inventory control, to provide better sales forecasting, more intelligent production scheduling and cost control.

Automation systems designed by Cutler-Hammer

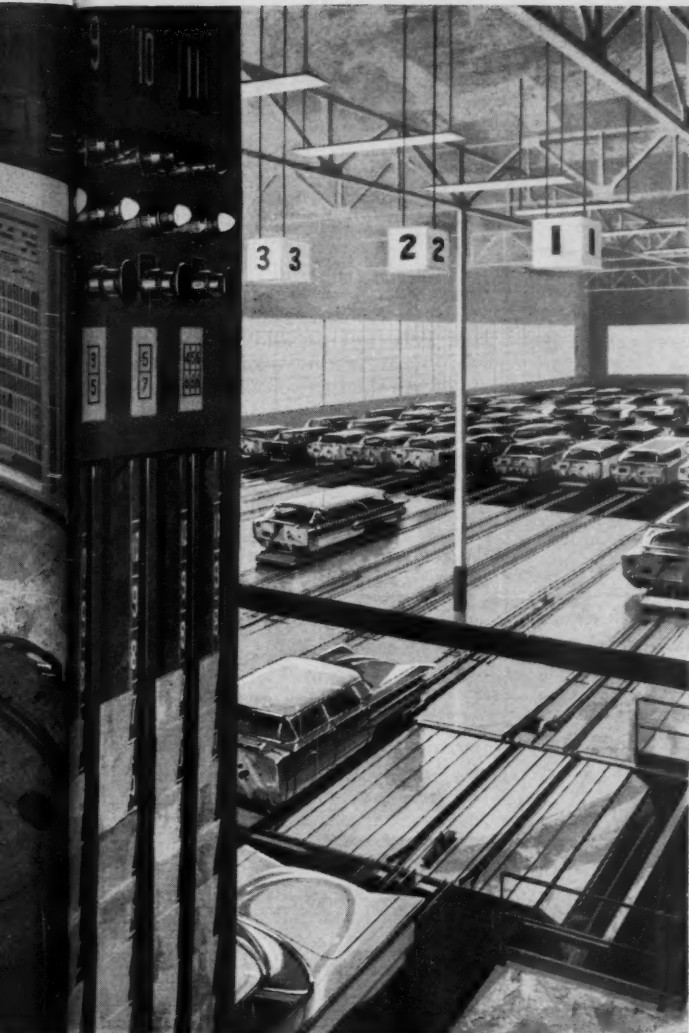


**SAVE MATERIALS . . .** to help a tinplate producer control quality, Cutler-Hammer designed a computer that records quality in coils 3 miles long as the strip zips by at 1600 FPM. Automatically typed report shows defects and their exact location. Next automation step: process the data and close the loop by feeding the system instructions to provide automatic correction of process defects.

run the gamut from material-handling systems that automatically regulate flow of car bodies from warehouse to assembly, to automatic blast furnace charging.

## **COMMON DENOMINATOR OF SUCCESSFUL AUTOMATION**

You, and your automation planning team, can establish the needs for automation in your company far better than anyone else. But when objectives are determined, an automation control specialist can help you increase efficiency and cut costs . . . especially when he is *called in early*. He will help you select data processing equipment with the exact degree of sophistication for your needs; make sure that control and mechanical drive are compatible.



**SAVE TIME . . .** to prevent production delays, a buffer storage area between car body plant and assembly was designed by Cutler-Hammer engineers. One operator assigns body styles to assembly in sequence to maximize production, utilizing simplified data processing which "remembers" each car body location. This Cutler-Hammer idea saved the manufacturer many thousands of dollars.



**SAVE LIVES . . .** to help detect cancerous cells faster, a Cytoanalyzer developed by Cutler-Hammer's A.I.L. Division counts and classifies cancer cells according to nuclear size and density. This electronic slide scanning device greatly reduces time formerly required for visual examination. Early and regular cytological tests, made practical by this system, could reduce uterine cancer deaths substantially.

*Employment opportunities are available for qualified engineers.*

#### WHAT'S YOUR AUTOMATION OBJECTIVE?

Chances are Cutler-Hammer engineers can utilize their automation experience and adapt existing techniques to help solve your problem. Or, they'll use their ingenuity to

develop a completely new concept. Either way, you have everything to gain from their experience. Why don't you call in your Cutler-Hammer man this week?

WHAT'S NEW? ASK...

# CUTLER-HAMMER

Cutler-Hammer Inc., Milwaukee, Wisconsin • Division: Airborne Instruments Laboratory • Subsidiary: Cutler-Hammer International, C. A. • Associates: Cutler-Hammer Canada, Ltd.; Cutler-Hammer Mexicana, S. A.



## There can be no compromise with quality in selecting a coating to protect your metal surfaces!

*The true cost of a protective coating job is the  
cost per square foot per year of protection!*

Can you afford to use anything less than the best in coating your metal surfaces? With the costs of application normally about *three times the cost of the coating alone*, it's sound economy to use a coating that will last and last, to achieve the *lowest cost per square foot per year of protection*. When a coating stands up two years, the cost per year is *half* the total cost of the job; when it stands up four years, the cost per year is *one-quarter* of the total cost. This is why purchasing and maintenance executives look far beyond the cost of the product alone. They weigh the **total costs of the entire job**, then rely upon Rust-Oleum® quality to help them obtain the *lowest cost per square foot per year of protection*.

The Rust-Oleum New Color Horizons System can help you beautify as you protect. Heart of this unique system is the Rust-Oleum 769 Primer. With its *specialty-processed fish oil vehicle*,\* it may be applied directly over sound rusted surfaces to stop rust and provide a sound foundation for your choice of the many Rust-Oleum top coat colors. Your nearby Rust-Oleum distributor will be happy to prove Rust-Oleum economy to you. He carries complete stocks for immediate delivery. For complete information, request your free copy of "New Color Horizons," featuring actual color standards and applications.

RUST-OLEUM CORPORATION • 2423 Oakton Street • Evanston, Illinois



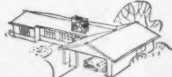
### It's true throughout industry

Engineers know that the price for Rust-Oleum quality is small compared to total costs of application on machinery, buildings, tanks, etc.



### It's true around the farm

Stopping rust with a coating that lasts and lasts helps the farmer protect his costly machinery, trucks, buildings, roofs, etc.



### It's true around the home

On steel sash, garden tools, porch railings, lawn furniture, pipes and fittings—homeowners depend upon Rust-Oleum quality.



### It's true for the municipality

Rust-Oleum helps to save taxpayers money on stop signs, traffic signals, street lights, water tanks, schools, hydrants, trucks, etc.

There is only  
one Rust-Oleum.

Distinctive as  
your own fingerprint.



\*Penetrates rust to bare metal as proved in radioactive tracing studies.

petitive soap business, marketing turns out to be the basic function. Fels' biggest problem is one of money. Its annual ad outlay—estimated by Printers' Ink, an advertising trade magazine, at just over \$3-million—doesn't come near that of its big competitors. Much of the ad budget goes to introduce new products. Fels can't afford "retentive advertising"; so it hopes that enough women will be happy enough with the product to stay with it.

To get the most out of its ad dollars, Fels tries the old baseball philosophy of "hitting them where they ain't." About half of the company's total ad budget goes into spot radio—a medium almost totally neglected by the Big Three. "We have learned to use radio effectively," says Melnicoff, "because we had to."

While Melnicoff plans no immediate changes in the advertising program, he already has started to revamp the marketing department. The company is taking a new look at Fels' distribution channels, and product managers have been appointed, to be in on all decisions made on their particular item. It's all part of a general "change of emphasis" Melnicoff is trying to introduce to "give various individuals more responsibility."

**Spreading responsibility.** One big job still facing Melnicoff is getting these individuals. In its stand-pat years, the company didn't suffer from a bulging payroll as many old family institutions do, but instead hired too few people. With the exception of Fox, now chairman of the board, there are only four other officers in the company, and the sub-officer managerial level is also thin. That's one reason why Melnicoff finds himself involved in jobs that he hopes to be able to pass on to others one day soon.

**Appetizer.** To those who know how much Melnicoff has enjoyed each successive taste of the manager's role, it looks as though he went to Fels with his eye on the top job. "That was, of course, my idea," he admits now.

Melnicoff got his first taste of administrative responsibility during the Korean War. After getting out of the Coast Guard at the end of World War II, he joined the Philadelphia Federal Reserve Bank, doing business forecasts, market analyses, making speeches, and leading discussion groups. When the Korean War broke out, he was given the job of running the real estate and consumer credit controls for the Fed District.

He so liked being a manager that he decided his bank job—coupled with the teaching he had been doing



# CUTTING COSTS IS OUR BUSINESS

## Efficient way to "steer" any business operation

Wherever you must program the movement of people, parts, deliveries, reports, services . . . Addressograph Methods can help you do it efficiently.

Step one: pre-record all essential routing and customer data on low-cost Addressograph plates. Each plate "stores" up to 360 letters or figures . . . can be easily coded to provide any degree of selectivity desired. Step two: use these self-writing "memory units" in conjunction with an Addressograph machine to prepare routing instructions speedily, accurately, at low cost.

Let us demonstrate how Addressograph routing procedures can serve your business. Contact your nearby Addressograph office or write Addressograph-Multigraph Corporation, Cleveland 17, Ohio.



## Addressograph-Multigraph

SERVING SMALL BUSINESS • BIG BUSINESS • EVERY BUSINESS

© 1960 A-M Corporation

Trade-Mark



**PEOPLE**—Tell driver-salesmen where and when to call, when to collect, etc.

### PARTS

Instruct plant workers where to deliver, in what quantity, at what time.



John L. Customer  
2345 Main Street  
Anywhere 24, U.S.A.

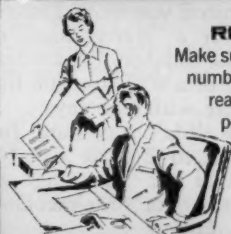
370



**DELIVERIES**—Control truck stops and delivery quantities.

### REPORTS

Make sure the right number of copies reach the right people at the right time.



One of more than 100 different Addressograph plate styles adaptable to routing requirements.

### SERVICES

Schedule preventive maintenance in the plant, service calls on customers.



LOW  
CAPITAL  
INVESTMENT

... just ONE of the reasons why  
**UNITED "POP"® RIVETS**  
give you more profitable production!

"POP" Rivets are set with lightweight, inexpensive manual, or pneumatic tools that are easily taken to the work. There are no complicated installations or expensive equipment. As a result, you can start with — or switch over to — "POP" Rivets without heavy initial capital expenditures or hard-to-carry amortization programs.

In addition, you'll find that the fast, easy setting of "POP" Rivets and their adaptability for production-line methods will give you lower installed costs (the only true measure of fastening cost). Neat appearance of "POP" Rivets plus their uniformly high fastening quality and strength will help assure product quality and enhance sales appeal. All these advantages combine to give you more profitable production with United "POP" Rivets!

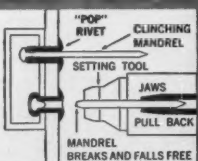
A "POP" Representative will be glad to visit your plant, analyze your fastening requirements, and estimate the savings that genuine "POP" Rivets can make possible.

Genuine "POP" Rivets are available through a large network of distributors throughout the country. Write today for the name of your local distributor.

UNITED  
**"POP"**  
RIVETS

**HERE'S HOW THEY WORK**

"POP" Rivets are inserted and set from the same side: (1) Rivet is inserted in the work. (2) Jaws of the easy-to-use setting tool grasp the mandrel. (3) Tool is operated. Jaws pull back. Rivet is set. Mandrel breaks and falls free.



SHELTON DIVISION • UNITED SHOE MACHINERY CORPORATION

1523 River Road, Shelton, Connecticut, U.S.A.

at the University of Pennsylvania and Drexel Institute of Technology —threatened him with "being caught in an eddy of wordly activity." In 1952 he moved over to the Penn Fruit Co., Inc., a lively supermarket chain. His job there included not only operations analysis and financial forecasting, but also soothing irate housewives who phoned with complaints and learning "to measure weekly store volume by a look at the meat case and the check-outs on Friday morning." Another appealing thing about the new job: a big pay boost.

**Bigger job.** But Melnicoff still wasn't in on the big decisions, and the more he got a taste of the executive's job, the more he wanted more managerial responsibilities. After four years at Penn Fruit, he moved to the Pennsylvania RR. The line had just revamped its organizational structure and created a new department of research and development, and "it looked like the railroad was really going to do some market research and business analysis . . . the new department appeared to me to counter the argument of those who felt railroad management had not been aggressive." Melnicoff was put in charge of the economic analysis section.

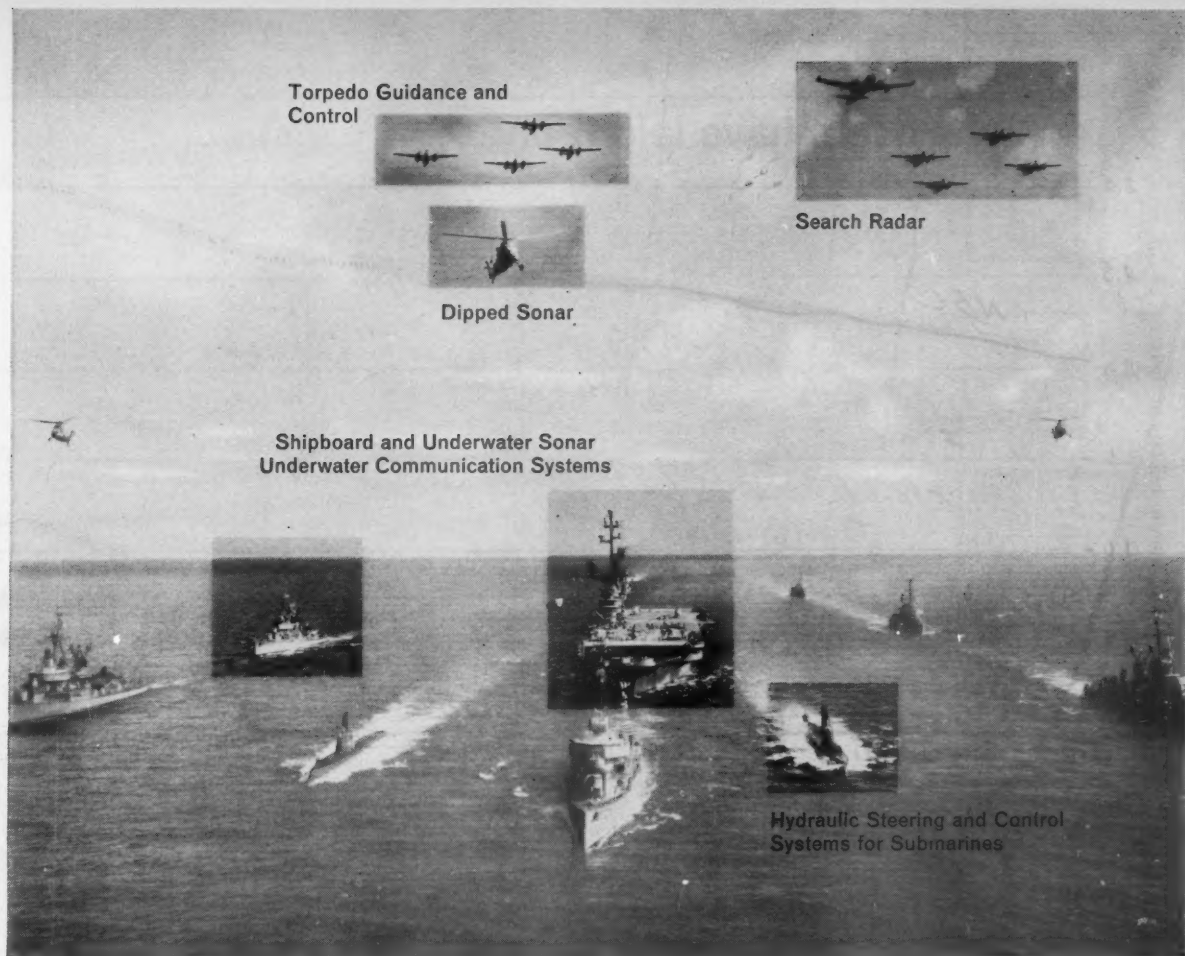
At about the same time, Alfred H. Williams, president of the Philadelphia Fed, asked him to join the board of the Samuel S. Fels Fund, a rich "eleemosynary trust" set up by its namesake. The fund now distributes about \$1-million a year to colleges and research institutes, mainly for basic medical research. Its assets include a majority holding of the stock of Fels & Co.

**Foot in the door.** Melnicoff was the youngest member of the Fels Fund board, and got the task of representing the fund on the board of the company. "After all," he says, "even assuming you have competent management, it's up to the dominant stockholders to establish—or at least approve—goals for the business."

Meanwhile, things were not going well at the railroad. The department of research and development never really turned into the kind of business-scouting operation it was intended to be, and in the recession of 1958 it was abandoned altogether. Melnicoff was moved into a slot calling for a "conventional economist" in the finance department, "much more of a staff function than I cared to stay with," he says.

He didn't stay long. In 1959, he moved to Fels & Co. full-time as director of planning—a position created for Melnicoff by Cyri Fox. **End**

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## ABOVE, ON AND UNDER THE SEA—BENDIX SERVES THE NAVY'S ANTI-SUBMARINE WARFARE TEAM

Ready around the clock to help prevent surprise submarine attack, the U. S. Navy's Anti-Submarine Warfare Task Group is an integrated team working in every area of modern defense—in the air, on and under the sea.

Helping the Anti-Submarine Task Group man the nation's seaward defenses is a wide range of specialized equipment—including airborne radar, shipboard and airborne sonar, underwater ordnance, surveillance, navigation, and communication devices—developed by our Bendix-Pacific Division.

In the air, Bendix radar equipment helps carrier-based patrol planes and helicopters scan the seas for surface

and underwater vessels. Establishing an underwater listening post for the Navy's air arm is a lightweight sonar system which is "dipped" from a helicopter. This system gives the sonar operator visual range and bearing information as well as audio signals. For safer landings on aircraft carriers, the new Bendix® radar altimeter measures the height of planes over carrier decks with extreme accuracy.

Under the sea, Bendix® sonar equip-

ment permits nuclear, killer, and radar picket submarines to detect enemy submarines at long range. Many of the Navy's newer submarines are equipped with hydraulic steering and control systems and components furnished by Bendix-Pacific. Some of these craft use approximately 300 control valves in more than 50 different configurations. Bendix also produces guidance and control systems for several types of torpedoes, as well as firing mechanisms for mines and depth charges.

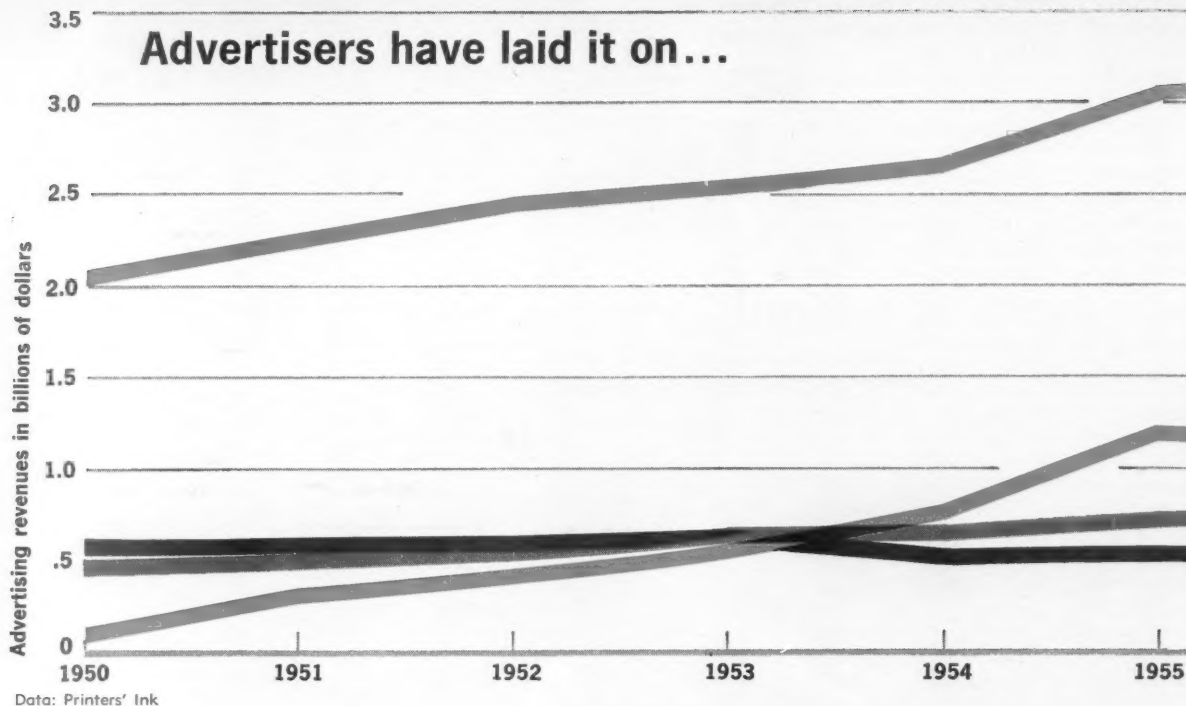
On the surface, Bendix signal processing devices, working in conjunction with sonar detection sets, help ASW ships pinpoint targets . . . strike swiftly and accurately.



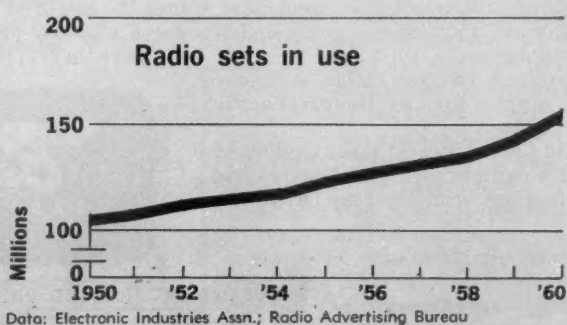
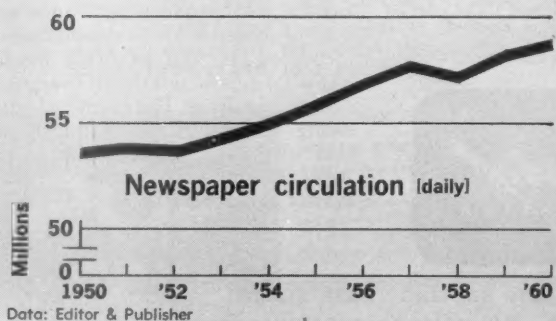
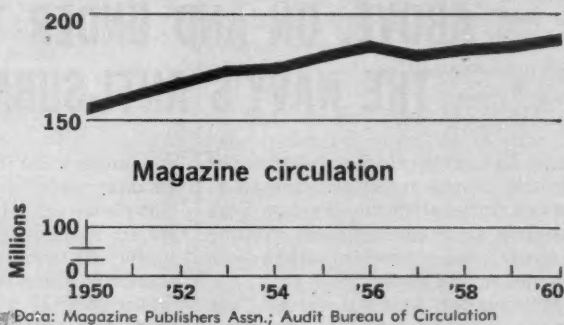
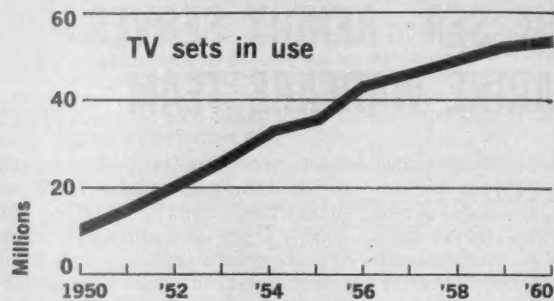
A THOUSAND DIVERSIFIED PRODUCTS SERVING THESE FIELDS:

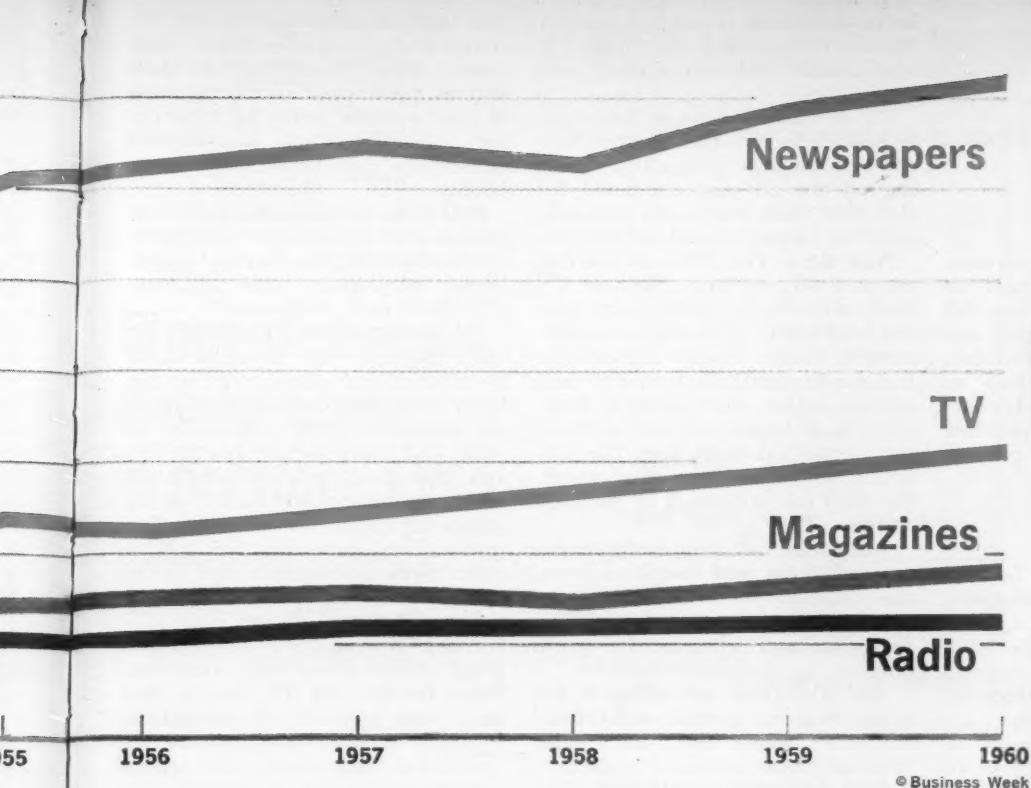
automotive • electronics • missiles & space • aviation • nucleonics • computer • machine tools • sonar • marine

## Advertisers have laid it on...



## Audiences have all grown...





© Business Week

## SPECIAL REPORT

# Mass media head into era of crucial change

**Competition among media will get increasingly keen as battle for readers and advertisers shifts from quantity to quality. Special-interest audiences now count more.**

After a dozen years of unprecedented growth, most notably marked by television's spectacular emergence, the mass communications industry is in the throes of a sweeping readjustment. Out of this will come major changes in the industry's prime components: television, magazines, radio, and newspapers.

These vital channels, the central nervous system of the economy, today are carrying the heaviest volume of news, entertainment, and advertising in all their history. Some 530 TV stations transmit an average of

18 hours of programs each day. More than 3,500 radio stations contribute to a Babel of sound. Mountains of magazines and newspapers are read in every home and office.

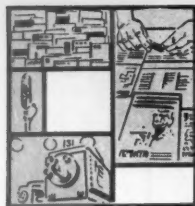
To avoid being submerged in the sheer bulk of mass communications, the media are battling (1) for the attention of a public that's deluged by claims on its reading, viewing, and listening time and (2) for the advertisers' dollars that are the lifeblood of the industry.

In such a battle, no communications institution is so solidly estab-

lished or so publicly accepted as to be immune from drastic change in the next decade:

**Television networks**, the heart of that medium today, will face a challenge to their very existence, as the radio networks already have. Network radio continues to exist, but on a far different footing from that of a decade ago.

**National magazines**, swept to eminence as the consumer economy expanded, are finding that record-breaking circulation is no guarantee of survival unless their readership



can be made to fit into advertisers' newest ideas. Some that can't or won't adapt to new concepts may fall by the wayside, even while their circulation numbers remain impressive.

**Newspapers**, long subjected to competitive attrition, will become more and more an industry of a few big city dailies and a growing horde of suburban papers.

## I. Attention, please!

The traditional growth formula for any mass medium was simple if costly: Put together a package whose content would appeal to as many consumers as possible; the vastness of your audience would attract the necessary advertising dollars.

This formula now seems to be crumbling under the weight of its own success, particularly in the television and magazine fields. It built giants, first in newspapers, later in magazines and radio, most recently in TV. But many of today's giants might be described as the dinosaurs of mass communications.

By trying to be all things to all people, they are in danger of being nothing much to anybody.

**Competing for time.** So many media are fighting for the public's attention that the lowest common denominator no longer has the universality of appeal that it did before World War II.

In the 1920s, virtually every literate U. S. family bought one or more of the national general-interest magazines even while people were devoting increasing time to radio listening.

In the 1930s, radio grew rapidly. The radio audience was largely shared by national networks. Independent stations, unable to offer the Bing Crosbys and the Jack Bennys, muddled along as low-budget juke boxes and sportscasters.

In the 1940s, mass magazines and mass radio and the big city newspapers seemed invulnerably entrenched in American family life. At the end of the decade, however, came an entrancing novelty—television.

In the 1950s, TV established itself as a dominant part of home life. First by its novelty and later by the appeal of its programming—whatever the public seemed to want, it got a

lot of—television seized first place in the family's attention. What was left was divided between reading and radio.

TV demanded separate attention. It practically crowded the previous generation's radio network programming off the air and competed for the time that customers normally spent on magazines and newspapers.

**New story.** The 1960s are starting out as a different story. Network TV itself, according to amateur and professional critics, is losing its encompassing charm. People increasingly look for the media that cater to their special, rather than general, interests: the FM classical music stations, the specialized magazines, the suburban newspapers—in other words, the class media instead of the mass media.

Just as the auto manufacturers discovered in the past couple of years, the mass market has been fragmented. The consumer has choices in goods and services; he wants choices, too, in communications.

And advertisers are willing to pay a premium for special, well-defined audiences where they know their messages have a focused impact.

**New advertising yardstick.** The advertiser's problem is to assure himself of a fair chance at the consumer's attention. According to an estimate by General Foods Corp., 1,500 ads are flashed each day at the typical consumer. The advertiser's aim must be to break through the babble with a clear message that is effective in the market place.

The advertiser pays big money for the mass audiences, and he is increasingly concerned not so much over how many people are exposed to his commercial messages as over how many people actually get the word and how many are in a position to act on it. He sees little use in "buying" millions of readers or listeners who aren't in his market.

## II. Competition compounded

The media or communications industry is no stranger to competition for audience and for advertising. Magazines have always fought each other; radio and TV networks battle among themselves with less restraint than most industries; newspaper wars are legendary.

Struggles between media are more recent. Radio and newspapers had a bitter feud in the 1930s and even later; some newspapers long refused to print radio program listings. Then TV came along to shove radio from the national scene into local and regional spheres. Now newspapers are counterattacking against TV for the

first time by offering enticing discounts to national advertisers; magazines, with TV cutting into their natural market, are sacrificing some of their national status by introducing regional editions to pinpoint readership and advertising campaigns.

Still other claimants for public attention exist or threaten to compete: books, exploding in a burst of paperback; subscription radio and pay-TV; direct mail; billboards.

**TV in same boat.** Television has only recently been brought down to earth in the same arena as the other struggling media. For years, its audience grew voluntarily as more and more people bought TV sets, and advertisers who sought national coverage rarely balked at the fast-rising costs of network programs. They knew they were getting extra viewers at least as fast as the costs were rising.

Now, however, TV set ownership seems to have reached the saturation point, while advertising costs continue to rise. So TV has to find new ways to justify its advertising charges, without recourse to the traditional argument that it is rapidly reaching more viewers.

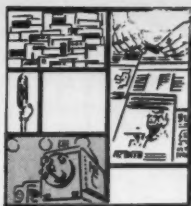
Within the industry, too, there's a battle over who gets the advertising dollar, the three networks or the individual stations. So far, the networks hold an unstable advantage.

But the stations are chipping away at the networks' position, now that Videotape enables them to buy programs directly from independent producers. And if UHF (ultra high frequency) channels are opened up to wider use, there would be a lot more room for special-interest TV stations to undercut the networks, as has happened in radio.

No other form of mass communication has ever made such an impact so quickly as television. Even radio didn't begin to dominate entire households as TV did within a few years of its debut.

Now, however, it has grown to the edge of maturity, and its transition from adolescence promises to be stormy.

The networks are squarely in the center of television's storms. They take the brunt of attacks on television programs, they are under increasing fire from advertisers for high costs, they are losing their function as program creators to other independent services. In short, they have a battle to survive—and, in any case, seem to be the focus of the many changes sweeping television. For a look at TV's future, turn to page 83.



Monday, January 9, 1961

## How TV's evening schedule looks

... to a viewer

... to an advertiser

**Ratings**  
(Average number  
of homes  
tuned in)

**Cost**  
(Per program)

|     |             |   |            |           |
|-----|-------------|---|------------|-----------|
| NBC | 7:30- 8:30  | Riverboat...adventure<br>on the Mississippi.....                      | 6,238,000  | \$190,000 |
|     | 8:30- 9:00  | Tales of Wells Fargo<br>...adventure in the<br>Old West .....         | 10,084,000 | \$ 90,000 |
|     | 9:00- 9:30  | Klondike...adventure in<br>the Yukon .....                            | 7,270,000  | \$ 93,000 |
|     | 9:30-10:00  | Dante...adventure in<br>the big city .....                            | 4,737,000  | \$120,000 |
|     | 10:00-10:30 | Barbara Stanwyck Show<br>...general drama .....                       | 4,643,000  | \$103,000 |
|     | 10:30-11:00 | Jackpot Bowling...<br>Milton Berle MCs<br>bowling prize program ..... | 5,300,000  | \$ 82,000 |

Data: A. C. Nielsen Co. for ratings. Cost figures Business Week estimate

## Biggest change due to come in network TV

**Audience no longer grows  
automatically, and  
programing is under fire**

For many reasons, TV may undergo some of the biggest changes in mass media in the next 10 years.

The Federal Communications Commission is taking a tough new stand toward the public responsibility of broadcasters. In his first policy statement since he took office in March, Chmn. Newton N. Minow this month told the National Assn. of Broadcasters that television is a "vast wasteland" of programing, with, "endlessly, commercials—many screaming, cajoling, and offending—and most of all, boredom."

Television's biggest troubles come from the way people watch television. Like a commuter railroad, television packs its heavy traffic into a mere three or four hours a day. But unlike the railroad or a magazine or a newspaper, this traffic isn't committed in any way; at the click of a dial, it changes its allegiance half-hour by half-hour (chart).

**Bidding high.** This accounts for the jockeying among sponsors and networks to reach the maximum number of viewers in the 4-hour prime evening time. A magazine or newspaper can guarantee its circulation; even a radio station, research now indicates, can count on a consistent following. With TV, there's no such "advance sale" guarantee.

Consequently advertisers fight for the best time—and they insist on programing that appeals to the broadest segment of the public. After all, they pay the same for time and production regardless of how many people are watching.

TV's costs are high—around

\$125,000 an hour for time alone in the prime hours. Costs of talent and production are added. And no amount of money will necessarily reduce the gamble on how many people will be watching.

**Popularity polls.** Is the public getting the kind of programing it wants? FCC Chmn. Minow, in his NAB speech, noted the high ratings of audience surveys, but commented that the public had not been tested on its acceptance of more sophisticated programing.

Though it's true that the networks have been mending their political fences and public image by featuring somewhat more public service—news and information—programs, the prime viewing hours are still dominated by Westerns, mysteries, family comedy series.

### I. The magazine concept

One answer to programing problems—and one that is spurred by high costs—is multiple sponsorship. This may help the networks to regain control of their schedule, even though they have cut way back on creating programs.

With one sponsor per program, it is hard for TV, as it was for radio in its network heyday, to say "no" to a sponsor or his agency. But as an agency man testified to FCC, "When you have one-sixth sponsorship of the Perry Como show, you can't tell the producer how to run

it." Or, he might have added, you can't threaten to take the show to another network.

Actually, no matter who determines the programing, TV's need for big audiences under the competitive conditions that exist will continue to require mass appeal shows.

**The logical end.** Ultimately, the present trend may lead to a magazine concept for television. An idea suggested long ago, this would have the network provide the editorial content—the programing—and the sponsor buy a certain number of commercials to be spotted throughout the evening. There are a number of drawbacks—the idea met with a cool reception when proposed by ABC last year. It still does not guarantee the size of the audience. Advertisers might accept the idea if the networks would charge them on a pro-rated basis depending upon audience size. But with audience measurement as controversial as it is, that's a highly unlikely possibility.

### II. The networks' dilemma

A TV network has been defined as a clearing house for programing and advertising sales, held together by a string of telephone lines.

True, the networks themselves own some major stations, but FCC allows each of the three to own no more than five VHF stations, the only ones that are now commercially viable. Each net has entree in the

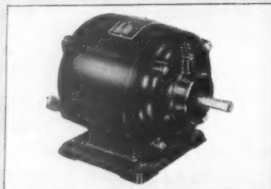
## "BODINE MOTORS

easily meet our high  
quality standards"

Anelex Corporation

another example of

**ADE** (after delivery)  
economies



"The reputation and reliability of our Anelex Print Station is due entirely to our insistence upon quality... a specification easily met by Bodine, and a requirement we'll not sacrifice at any cost. We've always used Bodine Motors. Their efficiency, among other characteristics, is outstanding. And Bodine's wide range of standard motors lets us select the proper motor for a particular operation without need for costly special modifications."



Says  
Mr. Joseph Konkell  
Chief Mechanical  
Engineer  
Anelex Corporation  
Boston,  
Massachusetts

Repeat orders from satisfied customers is just one way that you profit from the After Delivery Economies (ADE) of Bodine Fractional Horsepower Motors. Easy installation and low reject rates are others. That's why the end-cost is less. Ask a Bodine Motor application engineer about this.

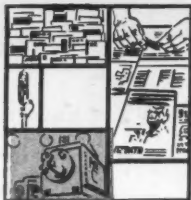
300 different STOCK types and sizes. See your Bodine Distributor

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fractional / horsepower  
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...the power behind the leading products

Bodine Electric Co., 2520W. Bradley Pl., Chicago 18



five biggest markets. In most of the next 45 or so major markets, each of the three has one affiliated station. In the smaller markets, amounting to 6% or 7% of the population, NBC and CBS alone have affiliates, leaving ABC out in the cold.

This situation leaves the networks vulnerable. Many station operators in small markets, for example, have taken to playing the networks off against each other, despite exclusive affiliation agreements.

Another trend loosening the networks' grip is the direct approach of advertisers to station operators. They come with both filmed and taped programs bought from independent producers and with spot commercials for seasonal or regional use. Spot commercials, used largely at station breaks, have grown faster than network advertising recently.

**Voice of doom?** These defections by local stations undercut the pillar of network operations: their ability to assure national advertisers of full coverage. Also, network control over their affiliates' spot-selling activities will vanish at the end of next year when, by FCC order, the nets must stop acting as sales representatives of local stations.

Also under attack is the key to the

network's ability to fulfill its role of providing a mass, national audience: option time. Strictly speaking, the affiliation contract a station makes with a network commits the local station to carrying at least 2½ solid hours (it used to be three hours) of its network's programming in each six-hour segment of the day. In practice, many stations flout this provision.

What's more, the FCC has reopened the entire idea of option time, with some indication that it will eliminate it.

Vice-Pres. William E. Matthews of ad agency Young & Rubicam suggests that the trends point to a day when the networks may be superfluous. He notes that live programming, which requires a network source, today makes up only 3% of network fare. The other 97% can go direct to local stations on film or tape. Networks have been countering this by investing in package shows.

But the whole thing might go another way. The networks still perform a unique function. They constitute an expeditious way to link the nation instantaneously for programs of national importance, such as the Nixon-Kennedy debates or the astronaut shot. They can afford to maintain a full news-gathering service.

The FCC, though, is threatening an upheaval in station licensing. "We may have a half-dozen networks instead of three," says Chmn. Minow.

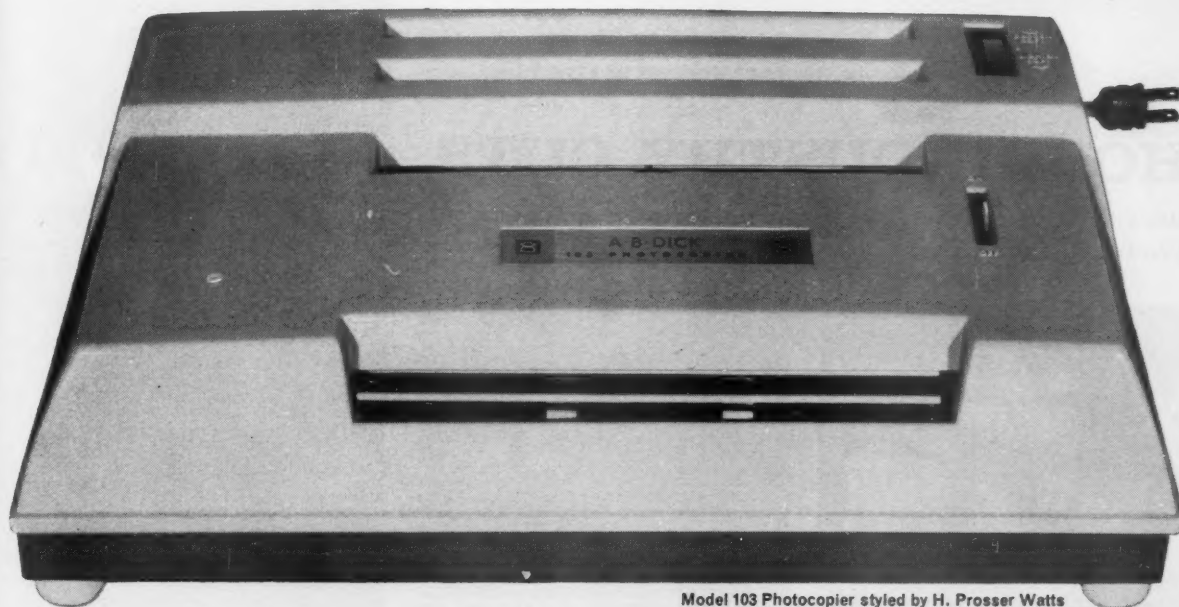
### III. Shuffling wave lengths

The range of broadcasting wave lengths is limited and licenses to use these channels are grants of



# JUST OUT

a brand new  
**PHOTOCOPIER**  
from  
**A.B.DICK COMPANY**



Model 103 Photocopier styled by H. Prosser Watts

**No other copying machine can match this performance at the price.**

Fast, clear, black-on-white copies of anything in any color—often better than the original. And *these* copies won't fade from heat, light or age. The 103 slashes paperwork costs, prevents embarrassing errors, steps up efficiency. At \$99.50 this brand new Photocopier is the most productive piece of office equipment you can buy. Ask about it today. See the Yellow Pages for your nearby A. B. Dick Company distributor.

# \$99<sup>50</sup>

## SPECIAL FREE OFFER . . .

**34 Ways to Cut Hidden Office Costs**  
New 12 page book tells how to get the most out of your copying machine.

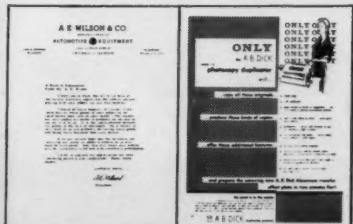
Contains 34 helpful suggestions for modern day copier use—suggestions that can mean substantial time and money savings for you. You'll want this booklet for your office now. *Mail the coupon for your copy today.*



**A·B·DICK®**  
PHOTOCOPY PRODUCTS

COPIES ANYTHING PRINTED,  
DUPLICATED, TYPED OR WRITTEN

Price shown is manufacturer's suggested retail price subject to change without notice.



**A. B. Dick Company, 5700 W. Touhy Avenue, Chicago 48, Illinois**

Gentlemen:

☐ I am interested in your booklet, **34 Ways to Cut Hidden Office Costs**. Rush me a copy today.

☐ I would like to see a demonstration of the new \$99.50 Model 103 Photocopier. Call me for an appointment.

NAME \_\_\_\_\_

POSITION \_\_\_\_\_

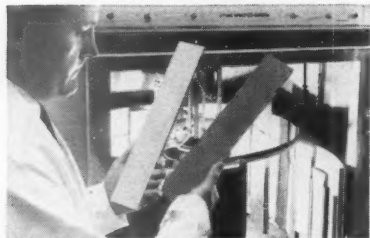
ORGANIZATION \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_ ZONE \_\_\_\_\_ STATE \_\_\_\_\_

## HOW INDUSTRY CUTS COSTS WITH PLYWOOD

Here are five examples of how profit-minded management is using fir plywood to improve products, speed construction, streamline handling, cut maintenance and operating costs.



### From plywood research, a new tough-surfaced colorfast panel

Acrylic overlaid fir plywood, newest product of research in plywood surface treatments, is standard Exterior fir plywood, to which a resin-impregnated, pigmented fiber overlay is heat and pressure bonded in the factory. We bring it to the attention of executives and designers interested in matching problems with properties. The new product has a tough, smooth, colorfast finish, almost impervious to weather, resistant to industrial chemicals and fumes, and practically maintenance-free. It has, also, the advantages traditionally associated with fir plywood—strength, impact resistance, economy and large size. It is so far available in four colors: red, white, green and blue.

One obvious application is as siding, on homes as well as on large buildings like the new Portland (Oregon) Coliseum, pictured below. Acrylic plywood

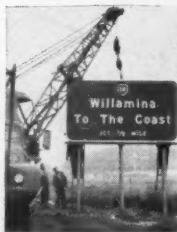


was specified for the 22-ft.-high fascia that crowns the structure with a decisive strip of gleaming white. The panels needed no paint and

were easily, quickly applied. The only maintenance required is an occasional wash job by the window-washing crew.

Another logical, growing use for acrylic overlaid plywood is for highway signing. Highway engineers call it the most nearly ideal sign material yet: stronger than steel, lower cost than aluminum, it is prefinished and permits direct application of reflective sheeting.

The coupon at right will bring you complete information.



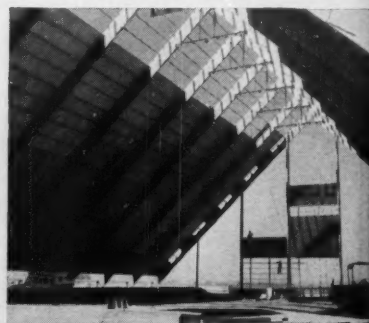
### Stout plywood floors support giant electronic computers

The increasing use of heavy electronic machines poses the problem of how to build floors strong enough to bear extremely heavy loads, while still providing access to under-floor areas for adjustments to wiring and air conditioning. Above, a special plywood floor system devised to meet this need is seen, as installed at a leading West Coast university's data processing center. Removable, 2x4-ft. panels of 1½-in. thick fir plywood are laid over steel

supports. Another system, installed by Hughes Aircraft, has 4 x 4-ft. stressed skin plywood panels. Besides offering strength and adaptability, plywood floor systems are economical, in both original cost and upkeep.

### Plywood and an unusual shape cut warehouse construction costs

An A-frame design and plywood construction added up to remarkable savings for Holly Sugar Corporation's new warehouse in Tracy, Calif. The triangular shape, dictated by the fact that dried sugar beet pulp settles at a 42-degree angle, will permit stacking almost to the level of the conveyor under the ridgeline. The fir plywood sheathing for the walls (which are also the roof) was specified for its superior diaphragm strength as well as economy. Cost of the 140-ft. by 180-ft. warehouse was considerably less than what a steel building would have cost. Cleanliness and upkeep costs were additional considerations in the choice of Exterior plywood. It has a smooth crack-free surface, is unaffected by humidity, and will need no maintenance for years to come.



# THE DFPA QUALITY GRADE-TRADEMARKED<sup>®</sup> PLYWOOD

ove  
sts.

d by  
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\* The DFPA grade-trademark on plywood is your assurance of quality and value. It identifies plywood made under the rigid Douglas Fir Plywood Association quality control program. Be sure it is on every panel you buy.



## Sears finds rugged fir plywood pallets a long-term bargain

Plywood pallets' remarkably low mortality rate was a decisive factor in a new in-store warehousing system recently installed by Sears, Roebuck & Co. A test of 2,500 fir plywood pallets in Sears' El Monte, Calif. store ended with only a dozen needing any repair after 2½ years. Sears then added 1,000 more in other Pacific Coast stores. The Dura-Block® bolted plywood pallets, designed by Carroll Box & Pallet Co. of Los Angeles, are strong enough for demanding warehousing chores, yet light enough (25 lbs.) for reserve stock handling. Since they serve both purposes, they eliminate several handling steps and cut labor costs sharply. Other reasons for Sears' satisfaction: plywood's snag-free surface, and the stability and rigidity of the plywood platform which permits higher stacking.

## Fir plywood lining gives new life to old boxcars for Wabash

For the Wabash Railroad, plywood more than paid its way last year in car modernization. Fir plywood was used to rejuvenate 200 cars with broken lin-

ing at the line's Decatur, Ill. yards. Sheets of ¼" plywood were simply applied directly over the old boards. Labor and materials came to only \$50-\$75 per car, about half the cost of re-lining with boards. The upgraded cars were so well received by shippers that the program is being expanded.



**For more information on fir plywood**—its advantages and applications—or for further details on the uses in these case histories, send in the coupon below.

To: W. E. Difford, Executive Vice President  
Douglas Fir Plywood Association  
Tacoma 2, Washington

Please send me more information on:

- ☐ Acrylic overlaid plywood ☐ Highway signs  
☐ Plywood sheathing ☐ Plywood pallets  
☐ Computer floor systems ☐

Name \_\_\_\_\_

Title \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ Zone \_\_\_\_\_ State \_\_\_\_\_

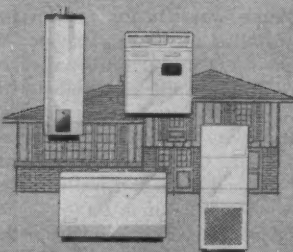
## NEW TWISTS *from an old* *hand in* **FIBER GLASS** *for the* **Original Equipment Manufacturer**

**UNSEEN BUT APPRECIATED.** G-B fiber glass and organic thermal and acoustical insulations contribute to increased driving pleasure in today's new cars. Right in G-B's own plants these automotive insulations are engineered and fabricated to assembly line requirements.



**A SURE SIGN OF QUALITY** in mobilehomes is the use of G-B Mobilite, a lightweight glass fiber insulation designed to meet the industry's most exacting specifications. Premium in quality, but not in price, Mobilite assures year 'round comfort and low heating and cooling bills for the life of the mobilehome.

**FREEZERS AND FURNACES,** ranges and hot water heaters — these and other appliances operate more efficiently and economically with the help of G-B glass fiber insulations. These lightweight insulations offer high thermal efficiency, are odor-free, immune to moisture, permanent as glass itself.



FOR INFORMATION, TECHNICAL ASSISTANCE AND FABRICATION SERVICE, WRITE "O.E.M. DEPT."

# GUSTIN-BACON *Mfg. Co.* **gb**

208 W. 10th St., Kansas City, Mo.

Thermal and acoustical insulations • Automotive products • Railroad products  
Pipe couplings and fittings



public property. Licenses are issued by FCC, an agency that's responsible to Congress, to station operators who promise to act in the public convenience, interest, and necessity.

At present, television is assigned Channels 2 through 82. Below Channel 2 are military wave lengths; above Channel 82, telecasting is impractical. Most TV sets are equipped to receive only Channels 2 through 13, the VHF stations. All logic points to opening up the UHF channels, 14 through 82, but it's not easy.

**UHF resistance.** The main problem right now is to build an audience for UHF stations. Until that is done, advertisers balk at supporting UHF stations that are competing with VHF stations.

FCC is pushing UHF, though. It can't fill the demand for either commercial or educational TV licenses within the VHF spectrum. And it thinks UHF would be an opportunity for the community and educational stations it wants to encourage.

In February, FCC proposed to Congress (1) that manufacturers of TV sets be required by law to equip all new sets for all-channel reception and (2) that all stations eventually be shifted to the more commodious UHF wave lengths.

A wholesale shift of commercial stations to UHF would open the air waves to many new independent stations, perhaps to the additional networks to which Minow refers. But UHF's reduced reach might cut the breadth of choice for fringe areas.

### IV. Pay-TV

Next to a threat of an FCC-directed upheaval of the industry, TV's darkest cloud on a generally bright horizon seems to be pay-TV.

After a decade of publicity but little action, pay-TV is to be tested late this year. Zenith Radio Corp. and RKO General, Inc. (subsidiary of General Tire & Rubber Co.) will start operating what they call the world's first regular pay-TV station, in Hartford (BW—Mar. 4'61, p41).

Paramount Pictures Corp. also announced that, following its one-year operation in the Toronto area, it will introduce wire-delivered pay-



# General American helps solve the world's water problems

Estimated daily water needs—in the United States alone—will jump from 300 billion gallons today to 600 billion by 1981. To overcome growing shortages, communities and industries throughout the world have installed Infilco water-processing equipment from General American. Each day, efficient Infilco Accelerator® units are purifying millions of gallons of water

for home and industry. Perhaps your community has no immediate water problem. However, you can always use the imaginative thinking and planning that General American applies to other industrial problems. Whatever you manufacture or mine, process or ship, it pays to plan with General American.

**GENERAL AMERICAN TRANSPORTATION CORPORATION**

135 SOUTH LA SALLE STREET • CHICAGO 3, ILLINOIS

OFFICES IN PRINCIPAL CITIES



TRADE MARK



TV in areas that get their TV through community antennas.

These are the two most advanced commercial systems for pay-TV. Zenith sends coded TV signals over the air; subscribers' sets are fitted with decoders. Paramount carries its signals into the home by wire. Both systems play through regular sets.

**Can it be made to pay?** Marketing studies by Jerrold Electronics Corp. indicate the size of the problem of making pay-TV pay. They suggest that, whichever system is used, it cannot break even without signing up at least one-third of the TV homes in an area. NBC claims that revenue per set would have to reach about \$100 a year, that the yield would more likely be \$35.

Pay-TV's proponents must also figure out what they can offer that free TV doesn't already offer. They talk about sports, Broadway shows, Class A films. But networks or stations already have long-term contracts for outstanding sports events, and they are steadily siphoning off the supply of top-grade recent movies.

Besides, even if the Hartford experiment proves that one station can make a go of it in a market, critics ask if two or three pay-TV stations could coexist profitably and without diluting their programing.

## V. Color comes next

For years, color TV has been just around the corner, and some insiders think it may stay there.

The package goods (toiletries, foods, cigarettes, cleansers) companies, which spend most on TV, want color. As self-service at stores has increased, the need of these companies for product identification has grown. The more they can make their ads show in true color what the shopper will see on the shelf, the happier they are.

"Color would add a vital element to package goods advertising on TV," says Newman McEvoy, senior vice-president of the Cunningham & Walsh, Inc., advertising agency.

Magazines are well aware of the threat. "If color comes to TV," says Vice-Pres. Robert Farrand of Curtis Publishing Co., "it will be very tough." To see how magazines are reacting, turn to page 92.



By installing Zonolite Masonry Fill Insulation in the Century Electric plant at McMinnville, Tenn. (instead of leaving the walls uninsulated), the necessary number of heating units was reduced from 12 to 10.

This saved \$4,900. Since the installed insulation (including labor and materials) cost only \$2,300, the money saved on the initial cost of the building amounted to \$2,600.

But even if savings on initial building costs are disregarded, Zonolite Masonry Fill Insulation is a highly profitable investment, from the standpoint of reduced heating and air conditioning costs . . . since it cuts heat transfer up to 50% or more!

For as little as 10¢ a square foot, concrete block or brick cavity walls are filled with the non-settling, permanent, water-repellent Zonolite Vermiculite. Positive comfort is assured for occupants. And the striking motifs of modern block or brick walls can be fully enjoyed, by eliminating the usual need for special interior wall surfacing.

If you are interested in what this remarkably low cost, highly efficient insulation can do for the building you are planning, please mail the coupon below.

## ZONOLITE COMPANY

135 South LaSalle Street, Chicago 3, Illinois

### Zonolite Company

135 South LaSalle Street, Chicago 3, Illinois

☐ Please have a Zonolite Insulation Engineer call on us to determine costs and savings on Zonolite Masonry Fill Insulation for the building we are planning.

☐ We are not ready to see a Zonolite Insulation Engineer yet, but we would like to know more about this remarkable insulation. Please send us new Brochure MF-45, "The Insulated Masonry Wall."

NAME \_\_\_\_\_

TITLE \_\_\_\_\_

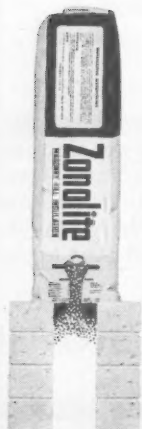
FIRM \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_

ZONE \_\_\_\_\_

STATE \_\_\_\_\_



**A KODAK VERIFAX EXCLUSIVE!**

**Kodak**  
TRADEMARK

**Extra  
copies  
for less than  
1¢ each!**

VERIFAX BANTAM COPIER  
Model A **\$99<sup>50</sup>**  
only Other models  
to \$428.

## **MAGIC \* MATRIX** used in Verifax Copier cuts office copying costs up to 50%!

*Studies by systems men show that in most cases at least 2 extra copies of letters, reports and other office records are needed to keep everyone informed.*

And here is how Verifax copying can trim your costs up to 50% because you don't have to pay first-copy price for each extra copy.

Cost of the first Verifax copy including sheet of Magic Matrix is only about 9¢. Each extra copy made from

this matrix (and you can get at least four) costs less than 1¢.

And these Verifax copies are dry, complete, easy-to-read . . . are made on bond-type paper. But see for yourself. *Compare copy costs with any other method.*

*For free Verifax demonstration in your office, call your local Verifax Dealer. (See Yellow Pages under duplicating or photocopying machines.) Or mail coupon for informa-*

*tion about all Verifax Copier models and short cuts in office routines.*

*Prices quoted are manufacturer's suggested prices and subject to change without notice.*

..... 21-5 .....

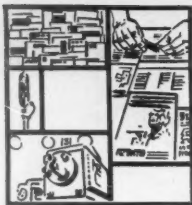
• Eastman Kodak Company  
• Business Photo Methods Dept.  
• Rochester 4, N.Y.

• Send free booklet on short cuts and savings with Verifax copying.  
• ☐ Check here if you now have a Verifax Copier.

• Name \_\_\_\_\_  
• Position \_\_\_\_\_  
• Company \_\_\_\_\_  
• Street \_\_\_\_\_  
• City \_\_\_\_\_ Zone \_\_\_\_\_ State \_\_\_\_\_

.....

**Verifax® Copying** GIVES YOU EXTRA COPIES  
FOR LESS THAN 1¢ EACH



## Magazines aim at class readership

**They find numbers race with television to be a losing battle, and a costly one, too**

For magazines, television all too quickly became an evil eye hypnotizing the mass audience as no other medium ever has done. At least partly through starvation inflicted by TV's greedy appetite for advertising dollars, Publishing Row is strewn with the bodies of dead magazines—Woman's Home Companion, Collier's, Better Living, and others.

Before television, it was the big, slick general magazines that were the glamorous stars on the mass media scene. The biggest era of the slick general magazines began 25 years ago when Henry Luce launched *Life*, quickly followed by Gardner Cowles with *Look*. This year's 25th anniversary hardly finds the industry in a mood for celebration. Just five years ago, general magazines reached a peak when they set advertising lineage records. But today publishers are haunted by the fear that, unless they can somehow exorcise TV's hex, several mass magazines that seem like household institutions will have to fold.

Television has undercut the general magazines in much of their editorial function: excitement, entertainment, and the illustrating of news and information. More important, it has siphoned off advertising.

In fact, magazines are still trying to equal the record for total advertising pages that was set in 1956.

**In a bind.** Up to now, the mass magazines have chosen to fight TV with numbers—total readers against total viewers. They have pulled out all stops in efforts to fatten their circulation, but this has now trapped them in two vicious cost squeezes:

## New weapon for winning advertisers

Most national magazines — from *McCall's* and *Sports Illustrated* to *Argosy* and *Elks* — now offer advertisers a choice: to sell nationally or regionally

By advertising in **LIFE** ...

### ... Nationally

You reach 6.7-million people at one swoop

Your total costs are higher—\$31,150 per full black-and-white page

But unit costs of \$4.65 per 1,000 circulation are lower

### ... Regionally

You reach selected areas — say, the Southeast and West Central

Your total costs for such coverage are much less — \$9,248

But unit costs run higher — \$5.80 per 1,000



Data: Leber & Katz, Advertising Age

© Business Week

- The costs of attracting and holding the marginal readers, through special prices and promotion campaigns, have ballooned out of all proportion to the prices that magazines can charge their readers.

- So, too, have the costs of producing and delivering magazines for these expensive additional readers. Costs such as paper, postage, and many forms of labor go up in almost direct relation to circulation as magazines scratch for new readers to justify higher ad rates. Second-class postage rates alone have risen 88% in eight years.

Publishers' profit statements tell the story. Last year, from total revenues of \$248.6-million, Curtis Publishing Co. squeezed out net income of only \$1.08-million—not enough to cover dividends on preferred stock. In the six months ended Dec. 31,

earnings of Meredith Publishing Co. (Better Homes & Gardens) dropped 72% below the comparable 1959 period.

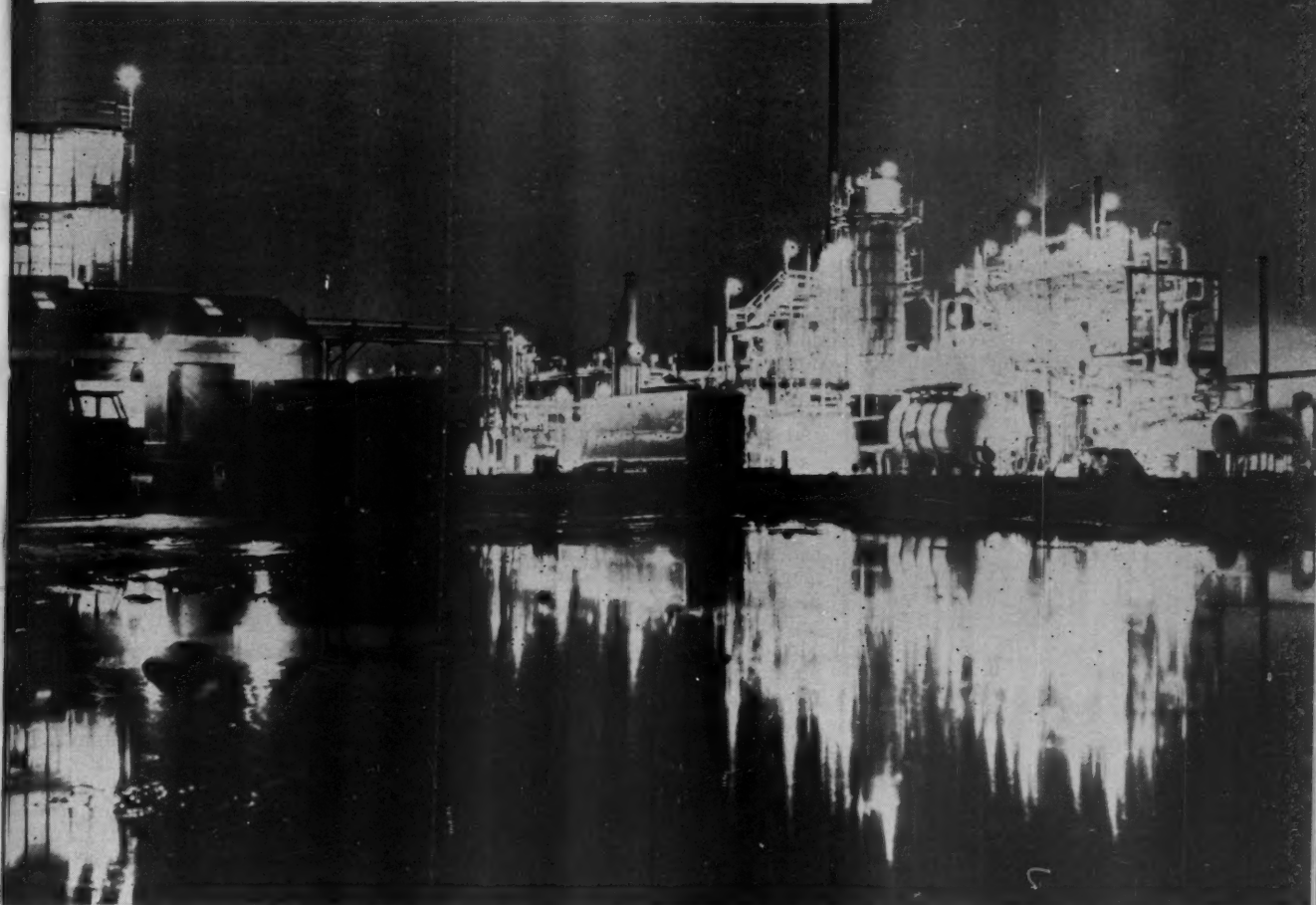
This isn't merely a recession problem. Time, Inc., in 1956 netted a peak 6% on income and has shown a consistent decline since then. Last year its net on revenues of \$287-million amounted to only 3.2%.

**Counterattack.** General magazines are deep in a restudy of their fundamental function in an era of audience fragmentation and of challenge from TV. Some are crossing over to the other side by buying TV and radio stations as a diversification move. Others are considering deep-rooted changes in magazines.

In the next few years you will see:

- A shift in emphasis from mass audience to class audience.
- More regional editions that offer

**"...to help you make better products...at a better profit."**



This new Pittsburgh Chemical maleic anhydride plant rounds out the company's basic position in major dibasic acids.

## A new source of Maleic Anhydride—the versatile "building block" chemical

### TYPICAL APPLICATIONS OF PITTSBURGH MALEIC ANHYDRIDE



**POLYESTER RESINS  
FOR PLASTIC PRODUCTS**



**ALKYD RESINS  
FOR PAINTS**



**AGRICULTURAL  
CHEMICALS**



**TEXTILE AND  
PAPER INDUSTRY**

Pittsburgh Chemical Company's new maleic anhydride plant at Neville Island, Pa. is now in operation. Capable of producing 20 million pounds of material a year, the new plant will help fill industry's steadily growing demand for this important "building block" chemical... for the production of plastics, paints, agricultural chemicals and other vital "growth" products.

Pittsburgh Chemical's new maleic anhydride plant rounds out the company's basic position in major dibasic acids—phthalic anhydride, fumaric acid and maleic anhydride.

To serve its customers more efficiently, Pittsburgh is now shipping maleic in briquette form in bags and drums, and in molten form in tank cars and tank trucks. • This is one more way in which Pittsburgh Chemical helps industry make better products... at a better profit.



**PITTSBURGH  
CHEMICAL CO.**

GRANT BUILDING PITTSBURGH 19, PA.

A Subsidiary of PITTSBURGH COKE & CHEMICAL CO.

**INDUSTRIAL CHEMICALS • ACTIVATED CARBONS • PROTECTIVE COATINGS**

# Riegel SUPERLEAVING PAPER...

Soft as a kitten  
for polished metals



Highly polished metals like stainless steel are easily scratched by dirt particles. To protect the surface many industrial plants now use Riegel's SUPERLEAVING, a special lightweight interleaving paper made with unusual freedom from lint, lumps, dirt and shives. It has high tear and tensile strength, as well as neutral pH. Chlorides and reducible sulphur, which may cause corrosion, are closely controlled.

This is another of Riegel's 600 specialty papers and laminations now serving industry in *products*, in *production*, in *packaging*. If you have a problem or a requirement that paper may solve, write Riegel.

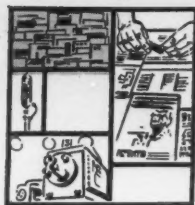
## SEND FOR SAMPLES

Riegel Paper Corporation  
Box 250, New York 16, New York  
Send complete data on  
SUPERLEAVING to:

Mr. \_\_\_\_\_

Co. \_\_\_\_\_

Address \_\_\_\_\_



flexibility in both advertising and editorial content, even at the sacrifice of the national image that has been carefully built up.

- More merchandising services—posters, coupons, and other gimmicks—to make sure the advertiser's dollars work hard at the local market place.

- Drastic changes in the content and appearance of magazines.

### I. Pattern for success

In seeking new formulas, publishers keep their eye on three magazines that have scored notable successes in the past few years: the biweekly *Look* and two monthlies, *McCall's* and *Reader's Digest*. These publications were impressive exceptions to the dour picture in 1960, and their first quarter of 1961 gave them still further gains in total revenue: 15% for *Look*, 22% for *Reader's Digest*, 36% for *McCall's*.

These magazines have some things in common: They stress the features that most distinguish them from standard TV fare; they pay handsomely for material from first-rate writers; they offer very personal, even intimate, advice to their readers; they use color lavishly.

Perhaps most important, none of them is a weekly; they don't have to clear away each issue in just seven

days to make way for a new one, and they don't have to compete with TV, radio, and newspapers for each week's news.

**Satevepost, Life.** Two weeklies on the mass magazine list are under deep study: Curtis' *Saturday Evening Post* and Time, Inc.'s *Life*.

Curtis has already determined on radical changes in the *Satevepost* this fall. The magazine may resemble *Look*, with emphasis on livelier writing, more pictures, more color, and articles running in page sequence rather than jumping to the back of the book. Rumors say the *Post* may even become a bi-weekly; Curtis denies them.

*Life* has built its success since the very start in 1936 on photographic journalism. This formula is now being studied in the light of new challenges of today. *Life* says only that studies are being made.

To many publishers, the blazing success of *McCall's*, with its panorama of spectacular illustrations and its lavish use of color, serves as a lesson—and as reassurance that fresh and exciting editorial treatment can produce results despite all the competition from TV.

For advertisers, too, magazines are offering all sorts of gimmicks tied into the format of their publications: pages that fold out or pop up, ads that smell or even make a noise. People at *Look* think three-dimensional printing is also on the way.

**Class vs. mass.** Publishers also look at a larger group of magazines that are increasingly successful: those with special audiences.

General magazines grew up with the idea of presenting a package of news, pictures, information, and en-



# How to turn a woman's head ...your way!

At point of sale, your package is your product. In fashion merchandise particularly, shoppers equate glamour without to quality within. Creative packaging ideas in Dow Plastics meet every standard for showmanship on the shelf plus the exact degree of protection your particular product requires. The range of Dow materials is wide: Styron® polystyrene, with unlimited color and design possibilities for distinctive rigid packages . . . Saran Wrap\* for crystal clear sparkle and high protective film qualities . . . Trycite® polystyrene film for "picture window" glamour on low budgets . . . Polyfilm® for transparent protective display . . . Pelsapan® or Ethafoam\* for cushioning fragile items . . . Dow Latex for coatings that give boxboard a new look of quality . . . and many others. Dow packaging materials, experience and ideas are on call to help you turn a woman's head your way in any market! For more information write us in Midland.

\*TRADEMARK

## DOW PLASTICS



Crystal clear Saran Wrap maintains freshness and flavor, puts meat and cheese on tempting display.



Versatile Styron packages a host of food products in colorful rigid containers handsome enough to go straight to the table.

THE DOW CHEMICAL COMPANY  
Midland, Michigan

**DOW**



tainment so broad and varied that it would appeal to just about everybody in the mass market. The special-interest magazines, some of them struggling for survival only a few years ago, go on the theory of appealing more to fewer people.

Business magazines are perhaps the best examples of successful specialized publications over a long period of years. In other fields, The New Yorker and Holiday tailor their editorial content to sophisticated readers; Playboy and Esquire to young-minded males; Seventeen and Redbook to special age groups; Ebony to the middle-class Negro; the Reporter, Harper's, Atlantic, Saturday Review, and Scientific American to the serious reader or egghead class; Sunset to West Coast and outdoor-living regional audience; even McCall's to a special, if massive, audience—women.

In most cases, circulation of such magazines is only a small fraction of the big general-magazine circulation. But as the population has grown and a new consumer economy has developed, their special audiences are now big enough to attract advertisers more keenly. For one thing, they deliver a screened audience; their advertising rates per reader run much higher than those of the mass magazines, but each reader may be much more interested in the product being advertised.

H. N. Gehman, media director of McCann-Erickson, Inc., suggests that the advertiser of high-priced goods may buy more for his ad dollars by running a campaign in several special magazines than by putting his whole budget into one big general magazine.

## II. The numbers game

The mass magazine publishers aren't basing their new interest in quality vs. quantity entirely on the success of the special-audience periodicals. They got into it, too, in playing the numbers game against television's time salesmen.

Until recently, publishers were content to rely on carefully audited counts of subscribers and newsstand buyers. Since 1914, the Audit Bureau of Circulation has policed circulation claims, with far wider acceptance

# WHITE COMPACT

The most talked-about truck in the  
industry now offers...



## NEW "STOP and GO" DIESEL ECONOMY!

**This new kind of truck, the WHITE COMPACT, is already setting sensational new standards of cost reduction for heavy-duty urban and suburban hauling.**

Now the COMPACT delivers further cost reductions with the option of new Cummins "stop-and-go" diesel

engines for city pickup and delivery. For many operators, this new kind of dieselization will mean important savings in operation and maintenance.

And with a choice of two diesel engines—130 H.P. or 160 H.P.—in addition to the wide range of proven

WHITE Super Mustang gasoline engines, the economies possible with the WHITE COMPACT truck or tractor become even greater, for *all* operators!

**THE WHITE MOTOR COMPANY  
CLEVELAND 1, OHIO**

*Branches, distributors, dealers in all principal cities*

WORLD LEADER IN HEAVY DUTY TRUCKS  
**WHITE TRUCKS**



## HOW WHITE COMPACTS DO MORE WORK IN LESS TIME AT LOWER COST

**MORE WORK . . .** The COMPACT truck's extra two feet of body length, within the same over-all length, provides 128 cu. ft. more payload space every trip. And the tractor can haul a 43' trailer or two 20' boxes in a 50' state.

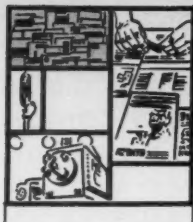
**LESS TIME . . .** No other truck or tractor can equal the maneuverability of the COMPACT . . . thanks to its ultra-short wheelbase and approximately 50° wheel-cut. Ease of handling and maneuverability speed pickup and delivery.

**LOWER COST . . .** Functional design and WHITE quality throughout cut maintenance costs. And now you can pick your power. Cummins diesel or WHITE Super Mustang wet-sleeve gasoline engine. Get exactly the type and size of engine most economical for your work.

**IT ALL ADDS UP** to this: The WHITE COMPACT can do more work in less time at lower cost. In fact, six COMPACTS can do the work of seven ordinary trucks of equal over-all size. Ask for a demonstration before you buy or lease any truck.

THE WHITE MOTOR COMPANY  
CLEVELAND 1, OHIO

WORLD LEADER IN HEAVY DUTY TRUCKS  
**WHITE TRUCKS**



than television's rating systems have ever won. But when TV manifestly won huge audiences, whether or not the rating services were measuring them precisely, publishers switched their research pitch.

**Total exposure.** The first search was for multipliers that would convert ABC paid-circulation figures into the number of people who read the same magazine. Later, researchers tried to find out how many times these people picked up a magazine and thus exposed themselves to its content—the total ad exposure. Ultimately, Reader's Digest, with 12-million-plus circulation, got its total ad exposure up to 60-million.

**Quality angle.** In many cases, advertising agencies remained unimpressed by this numbers race with TV. So the magazines are now shifting their research once more to prove a qualitative advantage for readers over TV viewers.

Obviously, many readers are also viewers, but magazines have been able to dig up evidence that people who read a lot constitute a market that's superior to people who watch TV a lot. They make more money, are better educated, own more goods.

This idea is the backbone of a major advertising and promotional campaign that the magazine publishers, through the Magazine Advertising Bureau, have mounted in an effort to convince advertisers that their pages offer a better, if not bigger, medium. The campaign minces no words, taking a direct pot-shot at television.

If this quality argument is true, publishers of the general magazines realized that they must concoct their editorial content to aim at class, not mass, as the special-audience magazines did earlier.

### III. Closer to market

In pinpointing their audiences, magazines found advantages in sacrificing some of their cherished national image in favor of getting closer to grassroots editorial and advertising markets through regionalizing themselves.

Some of the special-interest magazines, such as *Sunset* on the West Coast, do this automatically. TV

Guide has had sensational success in listing TV programs city by city and in selling advertising space to match these markets. Less than two years ago, Look led the mass magazines into regional editions; it now gets 10% of its revenue from regional advertising.

Today, most major magazines—some of which pooh-poohed the idea at the start—offer some type of regional plan. Ladies' Home Journal just this month followed the Saturday Evening Post in establishing regional editions. Look will sell space in any of eight regions; Life goes so far as to sell units limited to circulation in a single city.

**No waste.** For this service, the magazines charge advertisers premium rates, varying with the extent of the coverage. The premium isn't enough to earn as good a profit for the magazines as nationwide advertising, but regional plans are still good business strategy. Advertisers want them, and magazines gain bargaining power against TV and radio.

As with the special-audience magazines, advertisers are willing to pay more per reader for ads tailored to their marketing strategy. With regional editions, they get the chance to do this without having to buy national coverage where national coverage isn't needed.

A national advertiser such as a rubber company may want to promote snow tires in the North, regular tires in the South. Then, too, there are big companies that still operate regionally, such as some major gasoline marketers; for them, national coverage simply means paying for waste circulation.

Others are also attracted: advertisers who want local impact by running lists of dealers in each region; smaller advertisers who can't otherwise afford to pay for the prestige of an ad in, say, Life; retail businesses such as hotels, restaurants, and department stores that need to pinpoint their advertising.

**Promotional help.** Regional editions also enable magazines to increase their merchandising help to advertisers, bringing specific campaigns into well-defined markets. This is especially important for products such as food, where, according to Media Director Herbert Manlove of Batten, Barton, Durstine & Osborn, Inc., "you can spend a million dollars and never be noticed."

However, the closer magazines get to the local market, the more they impinge on the traditional bailiwick of newspapers, and they have jarred newspapers into counteraction. To see how newspapers are hitting back, turn to page 103.

FIVE YEARS FROM TODAY, MEN WHO SEEK THE ULTIMATE IN EFFICIENT BUSINESS OPERATION WILL BE USING LIGHT HELICOPTERS ROUTINELY THROUGHOUT THE BUSINESS DAY...SPEEDING THE HURRIED HOURS FOR EXECUTIVES...RUSHING TROUBLE SHOOTERS TO HOT SPOTS...GIVING CUSTOMERS THE "BIG PICTURE" OF PLANTS AND PROJECTS...CARRYING PICKUP-TRUCK-SIZE LOADS OF CRITICAL SUPPLIES...PROVING INDISPENSIBLE IN COUNTLESS WAYS. IF YOU REGARD YOURSELF A PROGRESSIVE, ASTUTE EXECUTIVE, HILLER ADDRESSES A CHALLENGE: WHY WAIT FIVE YEARS? THE MEASURABLE ADVANTAGES OF A HILLER HELICOPTER CAN BE A VALUABLE ASSET TO YOUR COMPANY TODAY. IT'S YOUR TURN TO CHALLENGE US: TO SHOW YOU JUST HOW VALUABLE. WRITE OR WIRE THE HILLER COMMERCIAL DIVISION IMMEDIATELY. OUR ANSWER WILL BE SUBSTANTIATED BY MORE THAN 2½ MILLION FLIGHT HOURS OF EXPERIENCE.

**HILLER**  **AIRCRAFT CORP.**  
PALO ALTO, CALIFORNIA • SUBSIDIARY OF THE ELECTRIC AUTOLITE COMPANY



# Big newspapers hit by move from cities to suburbs

They are finding it harder to hold advertisers and readers, especially with suburban papers and radio stations competing for audience and ad dollars

Newspapers in big cities, first of the mass media to emerge on the American scene, could well be ultimately the first to disappear in the form in which they exist today, with a few distinguished exceptions.

Walter H. Annenberg, whose Triangle Publications, Inc., in Philadelphia has successful entries in all four media, foresees the survival of only a few great newspapers, chiefly as chronicles supplementing radio-TV news coverage.

Another critic of the industry is inclined to agree: "After decades of sitting smugly in the citadels of their cities, they are suddenly being hit by several forces at once. It may be more than they can withstand."

**Move to the suburbs.** City newspapers were already groggy from fighting each other and coping with steadily rising costs when the mass movement to the suburbs rocked them further. Attrition has reduced true newspaper competition—one publisher against another—to a scant 20 major cities.

Meanwhile, the penalty for being second-best in any city is getting ever more severe. Numerous mergers of big city dailies in the past few years are an obvious result of this competitive squeeze.

City papers are victims of urban blight. Their readers, and often their advertisers, have emigrated to the suburbs, retaining only a marginal interest in the central city. It becomes increasingly costly to deliver papers to readers on the outskirts, yet circulation must be kept rising in step with population growth of the metropolitan area.

Of course, the suburban movement since World War II has also created opportunities for suburban dailies, weeklies, and shoppers' sheets. But newspapers in both city and suburbs share a new problem: the comeback of radio on a local scale, and the aggressive move of magazines with their regional editions.

**Adapting for survival.** Newspapers, traditionally slow to change,

are experimenting with several new techniques for survival:

- They are using more color in advertising, are offering their readers more syndicated comics and magazine and radio-TV program supplements. These are an added source of advertising as well as reader interest. Sunday magazine sections in newspapers in particular have provided publishers with important added revenue and a means of getting the national advertising, particularly in color, that they miss in the daily run of their publications.

- Papers that for decades have given the national advertiser short shrift are wooing him with volume discounts and market research service.

- Groups of papers are banding together to offer national advertisers group discounts, plus the convenience of dealing with centralized sales offices.

- City papers are trying to strengthen their ties with suburbanites through special suburban editions, faster motor truck delivery,

and the opening up of new distribution outlets.

**Special audiences.** Some publishers have adapted the newspaper form to special audiences. The Wall Street Journal has succeeded in making itself a national newspaper for businessmen by printing in eight locations around the country. Grit, a weekly based in Williamsport, Pa., thrives on national distribution to a purely small-town audience.

The New York Times is moving toward publication of both national and international editions. Last year, the Times established a Paris edition; now a team of Times experts is studying the feasibility of setting up a West Coast edition in Los Angeles. Other regional editions might eventually cover the whole country.

This project, encouraged by enthusiasm among national advertisers and their agencies, will predefine its audience as people who are interested in affairs beyond their own cities. Editions will carry only the Times' coverage of national and in-



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American Electric's "shopping center" furnishes up-to-the-minute information on labor, raw materials, neighboring industries, taxes, water, transportation, recreation, living conditions and all other important factors.

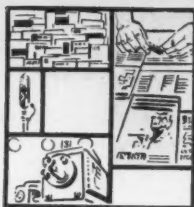
This free service locates the prepared site or available building with the right combination of plant-site factors.

For more information or free brochures, "Power and Natural Resources" and "Plant Location," write or phone, in full confidence, to Mr. Lee L. Davis, Vice President, Area Development, Dept. E-527, American Electric Power Service Corp., 2 Broadway, N.Y. 8, N.Y.

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ternational news. They will be national publications but aimed at a specialized audience—the antithesis of the typical daily newspaper today.

Los Angeles will provide good ground for testing two opposing theories about the future of newspapers. For the New York Times will be invading the territory of the rejuvenated Los Angeles Times, which sees its destiny in becoming the prime medium for its region of the country. As its publisher Otis Chandler puts it, "We expect to become the dominant paper in leadership, thought, and action in western America" (BW—Nov.19'60,p118).

**National advertisers.** Newspaper business offices are also experimenting. The main source of revenue to make up for local advertising lost to the other media is the national advertiser, so recently scorned by newspapers.

Incredible as it may seem, up until 18 months ago almost no newspaper offered volume or frequency discounts to national advertisers (by contrast, a top-volume advertiser on TV earns at least a 27% discount). Yet local department and chain stores got volume discounts as great as 50% or 60%.

This was galling to national advertisers, but the newspapers' attitude was founded in history and economics. For generations, local advertising—legal notices and classified ads as well as retail store and service advertising—made up 80% of a paper's ad income. It was a predictably steady source, not like the in-and-out campaigns of national advertisers who also demanded all sorts of special services.

Besides, national brands could get newspaper space at local rates through the widely used device of advertising allowances to local stores for featuring their products in their retail display advertising.

In the past few years, other media have cut into local advertising. From \$273-million 10 years ago, radio has built up local advertising to almost \$700-million in 1960, and a lot of the more than \$800-million spent last year on TV spot announcements also represents ad money diverted from newspapers. Now the magazines are making inroads with their regional editions.

**Incentive plans.** A rapidly growing list of newspapers has introduced discounts of around 16% maximum for top volume by national advertisers, usually defined as 100,000 lines a year. Earlier plans made a point of spreading this volume over the year, but this discouraged seasonal advertisers such as the auto companies. Most plans now make the discount dependent on volume alone.

Agencies for some big national advertisers have succeeded in negotiating still deeper discounts. For example, Ogilvy, Benson & Mather, Inc., committed Shell Oil Co.'s \$12-million consumer advertising budget to newspapers, but in return it exacted discounts of up to 30% for a schedule of 78 ads a year.

For the first time, this year the research arm of the industry, the Bureau of Advertising, joined with the American Assn. of Newspaper Representatives to approach national advertisers with a combination research and sales effort.

To make a noise loud enough for national advertisers to hear, small dailies are forming central sales offices. The Penn Group, for example, represents 33 dailies with combined circulation of 345,228 all over Pennsylvania except for the state's 12 largest cities. It offers a 26.7% discount for buying space in the entire string, plus the additional advantage of a centralized billing office.

**Distribution snags.** City papers are still struggling with the problems of distributing their copies farther afield without incurring prohibitive costs. The truck fleets that deliver to city newsstands can't be extended to the suburbs in all directions without excessive costs and without running into other labor union jurisdictions.

It's hard in the suburbs even to find sufficient sales outlets with the concentration of trade that is usual in the city. Decline of rail commuting has hit the papers particularly hard: bus commuters don't come to central points to board their inbound buses, and auto commuters not only offer a poor market for newspapers but also swell the audience for radio stations.

Some papers have tried newsstands in supermarkets, where traffic is undeniably concentrated, but most shopping trips to these markets are poorly timed for either an early morning or a late afternoon edition of the paper. Besides, retailers, including the supermarkets themselves, question the value of advertising in a paper the shopper picks up on the way out of a store, rather



than before going in with her list.

**Keeping the reader.** An even more basic problem for city papers is keeping the allegiance of readers who have moved to the suburbs. A suburbanite may still want to know the news of the city in which he works (assuming his company hasn't also moved to the suburbs), but suburban radio stations and daily or weekly newspapers often do a better job of keeping him informed on community matters.

For national and international news, this displaced reader also may find radio and television more acceptable than the wire service stories in the city dailies. Moreover, the centrifugal force of the movement to the suburbs has sprayed people out in all directions around a city, and these people not only lose touch with the central city; the family that moves from New York to Princeton, N. J., has little interest in, say, Bridgeport, Conn.

**Retailer's audience.** Thus, the retailer who has followed the march to the suburbs is aware of how circumscribed his trading area is—within a few miles of his store. So he favors the efficiency of local radio or the local advertiser-controlled shoppers' weeklies in each market. He reaches more prospects through them for less cost.

The "shoppers," dropped on every doorstep or mailed to every home in a limited area, mix a thin gruel of local news with a heavy diet of ads.

Many papers have tried to solve the problem by issuing suburban sections, with a page or two devoted to the doings and the advertising of each community. It costs the paper dearly, however, since it can't charge the local community advertiser for all the waste circulation involved in spreading his message beyond his trading area. Nevertheless, the Denver Post this week announced it will begin publishing a separate weekly insert covering each of the three main suburban zones outside the city proper.

One way newspapers are fighting back is by buying radio stations that reach the new suburban customers and hedge against further inroads by radio advertising. Radio itself has already undergone basic changes. For this, turn to page 111.

## Why do so many pension planners follow the leader?



Probably for the same reasons that made for leadership in the first place. They explain why New England Life writes far more individual policy pension plans than any other company. One strong reason is the solid experience of our pension specialists—in our nationwide field force as well as in the home office. Another is the flexibility of our plans which makes them adaptable to specific requirements. Still another is the excellent yield from our diversified investments . . . Whatever the reasons, this position of leadership is no accident. It is evidence that our agents are unusually competent in this area and that they are truly "men of opportunity" for businessmen like yourself. Your own organization may well profit from a call to a New England Life specialist in either individual or group pensions.

*New England Mutual Life Insurance Company: All forms of individual and group life insurance, annuities and pensions, group health coverages.*

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### NEW ENGLAND LIFE

Dept. B-3

501 Boylston St., Boston 17, Mass.

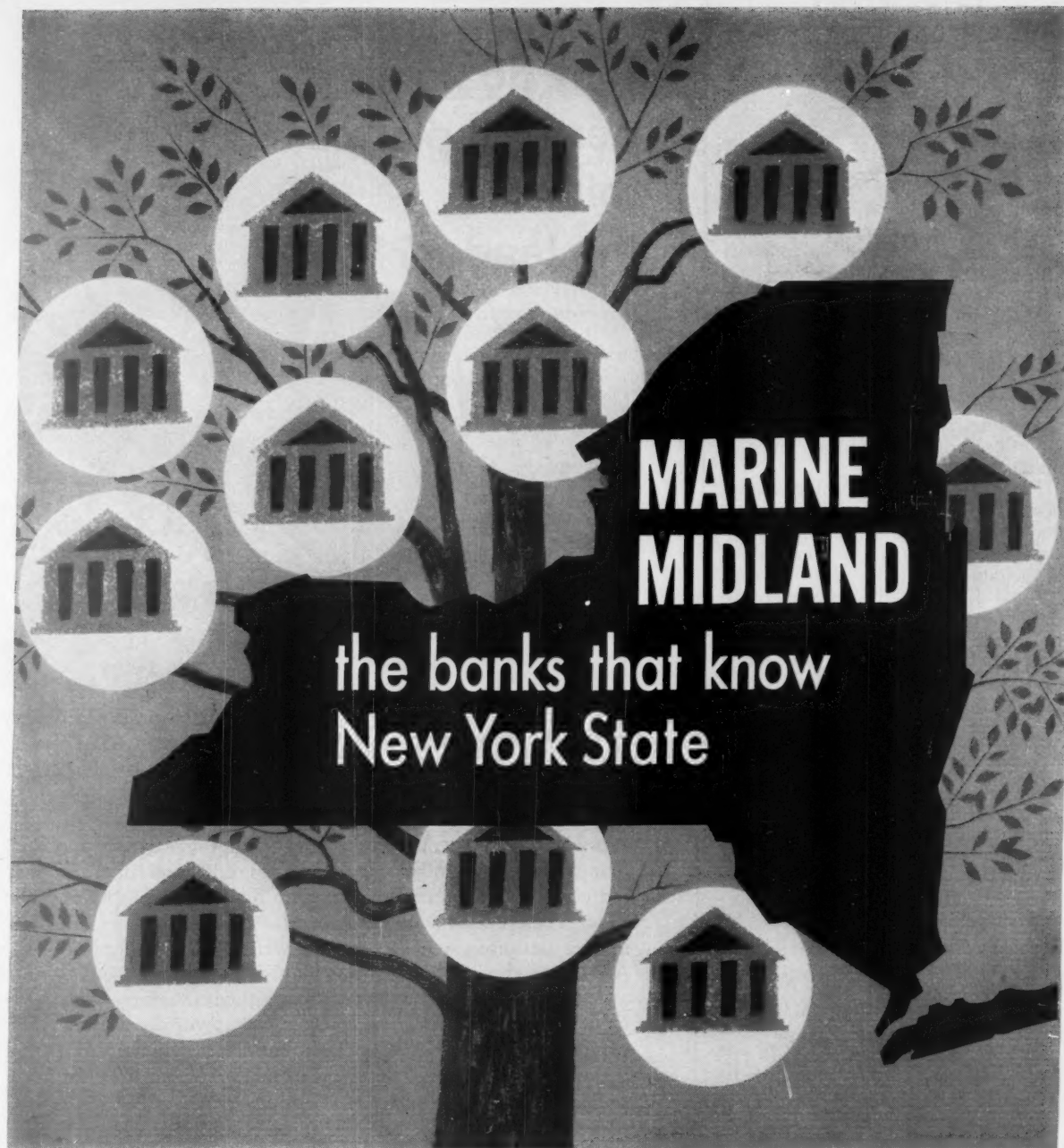
Mail me your brochure outlining pension planning services.

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Street .....

City ..... Zone ..... State .....

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Marine Midland banks are unique. Our 179 banking offices serve 103 diversified communities - more than any other banking system in New York State. And each bank's home-town knowledge of local business conditions is available through every bank in the Marine Midland family. It's a powerful force you can put to work for your business by contacting a Marine Midland banker.

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Valley - Utica • The Northern New York Trust Co. - Watertown • Chautauqua National Bank of Jamestown - Jamestown • The Manufacturers National Bank of Troy - Troy • The First National Bank of Poughkeepsie - Poughkeepsie • Marine Midland Trust Co. of Rockland County - Nyack.

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**New York State's First Family of Home-Town Banks**  
**11 Banks With 179 Offices Serving 103 Communities**



## Radio gaining strength as local service

**Networks have been eclipsed by TV, but stations thrive in serving special audiences**

Radio has gone through the greatest changes of all the media. It entrenched itself in the 1920s, first with its novelty appeal and then with its development of news and entertainment on a nationwide scale; since 1950, it has adapted for survival with a new localized and regionalized approach offering what TV doesn't offer.

Virtually everything about radio has changed in the last dozen years: equipment, programs, advertising pitch, listening habits.

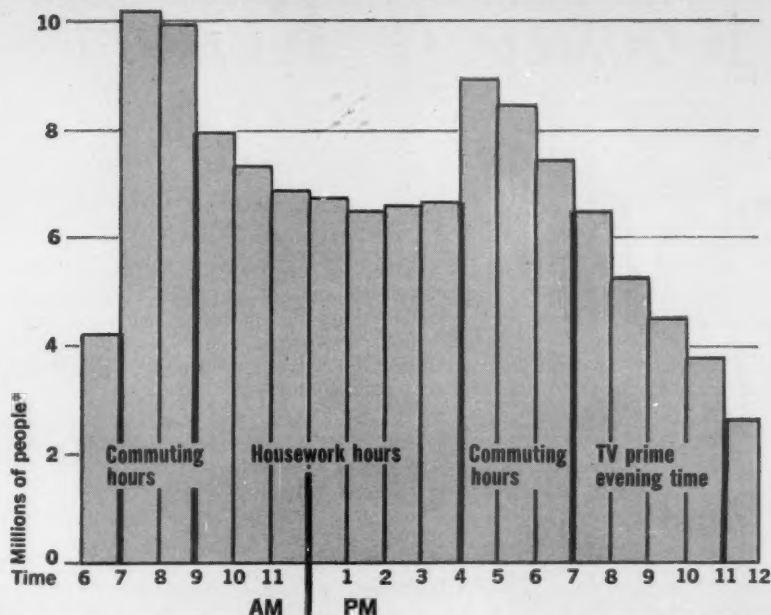
Go back those dozen years and you find the typical family sitting in the living room around a console radio that's a key item of furniture; the family listens all evening to a series of national network features—the top comedians, actors, singers, and dance bands of the day.

Now look at today's radio listening. The console radio has disappeared, except in the hi-fi field; the typical radio is no bigger than a toaster—it may be a clock radio, a table model for kitchen or night table, a transistorized portable that fits into a pocket, or a car radio. Instead of standardized coast-to-coast sound, these radios speak in a variety of tongues to specialized audiences.

**Radio's finest hours.** Even time has been turned upside down on radio. The prime evening hours have been taken over by TV, but radio is stronger where it used to be weakest—it actually outpulls TV during the day. Its finest hours are now in the morning and evening commuter rush, thanks to the prevalence of car radios.

Seasonally, too, radio waxes when

## Radio's new audience pattern—the reverse of TV's



\*People listening in 27 largest metropolitan area

Data: Radio Advertising Bureau

TV wanes. The summer months enlarge radio's audience—again the car radios and also the portables at the beaches and on the patios. The popularizing of car radios alone has added at least 25% to the radio audience potential.

**Loyal following.** To serve special markets and special audiences, the number of radio stations on the air has sharply increased in these years—the 3,500 total is seven times the number of TV stations. At the same time, listener loyalty has firmed up. Dial-switching has given way to faithful listening to favorite stations.

This comes from the individualizing of the stations. Anyone who thinks of radio as merely a coinless

jukebox for teenagers should scan the crowded AM dial and, particularly, the increasingly busy FM dial. He'll find a wide variety of programming.

True, some stations subsist on a heavy diet of the top 40 tunes of the day. But an increasing number offer a mixed grill of news and standard, light music, and some beam their programs at special audiences such as suburbanites, farmers, Negroes, or foreign language groups.

FM radio is thriving on its combination of broadcast fidelity and thoughtful programming for elite audiences. It offers classical music, plays, poetry, current affairs discussions on a scale and scope previously un-



# Rockwell Report



by W. F. ROCKWELL, JR.  
President  
Rockwell Manufacturing Company

TEN YEARS AGO THIS MONTH, the first of these Rockwell Reports appeared in business and news publications. For better or worse, as indicated below, the format of the Report has remained exactly the same with a single exception: the photograph. One more testimonial to the inevitable fact that time changes all things.



Perhaps the most rewarding result of this effort to communicate some of our beliefs and ideas has been the rather voluminous correspondence it has generated. (See below.) Many of these letters have been encouraging. There are some that have been unfavorable, of course. But nearly all of them have been provocative and stimulating, and not a few have caused us to re-examine our policies or positions on certain matters, and have therefore contributed to our corporate effort. We are truly appreciative of this interest, and look forward to the correspondence that may lie ahead.

\* \* \*

We try to avoid errors, because we know they're noticed. And the corrections come from some unusual sources. One Rockwell Report discussed the percentage savings realized by a firm using Delta Power Tools, but a typographical error put the decimal point in the wrong place. Among the 21 letters received correcting the mistake, one was from an 8th grade class in Mabton, Washington. Turned out they were using the Reports in a study of American business and how it works.

\* \* \*

In a Rockwell Report some time ago, we mentioned that our company was one of the few companies able to charge for a customer house organ: THE DELTA-GRAM, a home-workshop bi-monthly that sells for one dollar a year. We thought this an innocent enough little item until subscription requests started pouring in —200 of them from 23 states, each with a dollar bill attached!

\* \* \*

Not all of the reaction to the Rockwell Report is favorable, of course. One correspondent took considerable issue to our continuing use of the photograph. He may be right at that. One close friend even goes so far as to suggest that the appearance of the Report would be greatly improved if the photo were removed altogether—and replaced by one of Mrs. Rockwell!

This is one of a series of informal reports on

**ROCKWELL MANUFACTURING COMPANY**  
PITTSBURGH 8, PA.

Makers of Measurement and Control Devices, Instruments,  
and Power Tools for twenty-two basic markets



known in radio. Stereo multiplexing (BW—Apr.29'61,p54) should increase the appeal of FM radio, especially in classical music.

**Neighborhood stations.** Many of the newer stations deliberately cater to a geographically limited audience, with transmitter power so low as to be effective in as little as an 8-mi. radius. They are interested in covering only their own backyards.

Their sports coverage may consist of local high school games, and their news includes an accident just around the corner, social events in the next block, the evening's schedule of Parent-Teacher Assn. meetings. A local retailer finds often that such a station's audience corresponds neatly with his own trading area; he can advertise without paying for the ear of people who neither know nor care where his store is.


**The networks.** Revenues of network radio (chart, page 76) continue to slip, to less than 25% of their pre-TV record. Programming, too, continues to lose the old features of network radio; this year, CBS canceled the last of those staples, the soap operas.

Despite its local slant, radio still offers much that national and regional advertisers want. It gets into many places that are hard for other media to reach: beauty parlors, cars and truck cabs, barbershops, kitchens and laundry rooms in homes. In addition, the special stations offer predefined audiences.

Pepsi-Cola Co. is supplementing its national network campaign with commercials on smaller stations that are pinpointed for individual markets. It rewords its jingles for these stations. In New Orleans, for example, the commercial sings about the Mardi Gras; Long Islanders hear lyrics about Oyster Bay and Levittown.

**Local angle.** Much of radio advertising is being placed through local merchants, under cooperative campaigns in which a company reimburses the retailer for part of the cost. In such deals, it's hard to guard against waste and cheating.

Radio advertising rates are a morass; a station's true rate schedule may bear little relation to its published schedule. The local advertiser can be expected to get the best



## Wherever power lives...

*it takes specialists to keep it alive*

... Specialists with the technical knowledge and practical know-how so necessary to the exacting business of safeguarding power equipment. Hartford Steam Boiler's nationwide organization includes more than 600 qualified and experienced field inspectors, with engineers, special agents, underwriters, claims people—all prepared to help you protect your plant against loss by accident to your boilers, pressure vessels, turbines, engines, electrical and refrigerating equipment. When your boiler and machinery insurance is with Hartford Steam Boiler you can be sure you have the best.

*Since 1866, the insuring and safeguarding of power equipment has been our only business.*

### The Hartford Steam Boiler Inspection and Insurance Company

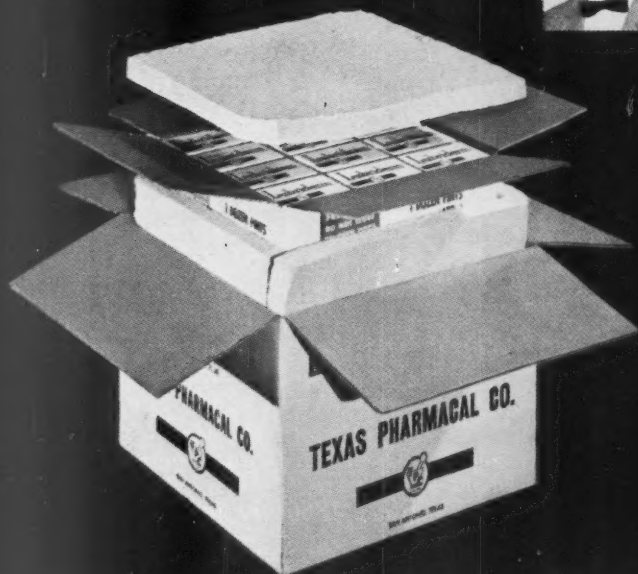
Hartford 2,  
Connecticut



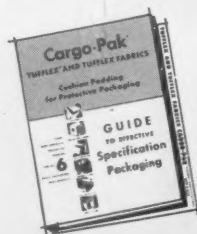
Remember, INSPECTION  
is our middle name

# Tufflex® protective cushioning techniques reveal Industrial packaging as untapped profit source at Texas Pharmacal Co. ....reduced merchandise losses from freeze damage.

"Records have been kept for two winters on claims filed for freeze damage. Our records show that the value of merchandise lost was five times greater with our previous packaging material than with Tufflex U-200" says Mr. John W. Allen, Plant Superintendent, Texas Pharmacal Co., San Antonio.



The success of Texas Pharmacal Company in shipping liquids in glass bottles into sub-freezing markets with a minimum of freeze damage shows that Tufflex padding provides excellent insulation as well as a superior cushioning. It will pay to investigate Tufflex engineered protective cushion pads, cut or shaped to specifications ...ready for assembly line efficiency. Tufflex padding can contribute directly to your company's profits by slashing shipping losses. Write for our "Guide to Effective Packaging." Learn how Tufflex protective cushioning simplifies packaging procedures and increases receiver satisfaction.

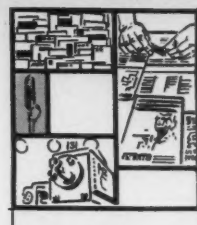


## TUFFLEX® ENGINEERED PROTECTIVE CUSHIONING

Wood Conversion Co., Dept. 502-512, First Nat'l. Bank Bldg., St. Paul 1, Minn.

☐ Please send me details about the profit opportunities in packaging with Tufflex padding.

Name \_\_\_\_\_ Position \_\_\_\_\_  
Company \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ Zone \_\_\_\_\_ State \_\_\_\_\_



possible deal—but it's impossible for the national company to verify it. Cases have been cited where retailers charge a company for commercials that never went on the air, yet companies can't demand that claims be supported by tear sheets.

This isn't the problem in advertising placed with local stations by local retailers at their own expense. And this form of advertising is gaining ground. Even in big cities, the department stores are beginning to swing part of their budget (estimated nationally at \$600-million a year with 98% of it spent in newspapers) over to local radio.

After a year's study in cooperation with Higbee Co., big Cleveland store, the Radio Advertising Bureau reports impressive evidence that radio pays off for such stores. That strikes squarely at the inner citadels of newspaperdom.

And in the wings. Radio's struggles with newspapers, TV's battles with magazines—the mounting competition of the major media—occupy the center stage. But on both sides, new or resurgent media stand ready to play a part in the rapidly increasing amount of advertising.

Direct mail advertising expenditures now exceed \$2-billion a year; outdoor advertising is having a resurgence. Packaging and store display get growing attention as "media" serving at the point-of-purchase.

The demand for new routes to the consumer may grow so urgent that currently non-commercial media may carry advertising. Movie theater advertising, popular long ago, again is expanding rapidly. Books are experimenting with ads. And the telephone will be carrying sponsored weather and time announcements.

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# International outlook **BW**

May 27, 1961

## European trip a tall order for Kennedy

De Gaulle in Paris, Khrushchev in Vienna, Macmillan in London—all in six days. That's the summit schedule that Pres. Kennedy starts next week. It's a tall order for a President who hasn't found his feet yet in foreign affairs.

Some critics say that Kennedy has taken on altogether too much. Paris observers feel he has reduced his chances of straightening out NATO problems with Pres. de Gaulle by adding to his long-planned Paris trip an East-West discussion with Premier Khrushchev. If that's true, then Kennedy probably has weakened his bargaining position with Khrushchev.

## Probing talks with de Gaulle

There's still no reason Kennedy shouldn't engage in deep probing conversations with the French President.

U. S. officials have never been sure how far de Gaulle's ambitions run—for example, what his nuclear aims are and how far he intends to press his demand for a U. S.-British-French directorate of NATO. Washington now hopes that Kennedy can determine whether de Gaulle is open to compromise on either.

On the organization of NATO, Kennedy probably will toss out a proposal that there might be a special five-nation council, with seats for the Big Three and West Germany plus a rotating seat for the other members. Some U. S. officials have toyed with the idea of giving NATO a sort of defense ministry, to be located in Paris. This would absorb the functions of the NATO Standing Group (U. S., Britain, and France) that now sits in Washington.

There's no hope that de Gaulle will give up his plans for a French nuclear deterrent. But some U. S. officials think he would abandon his atomic tests if London and Washington were willing to give him technical assistance. If that were to happen, it's conceivable that the U. S., Britain, and France might, in part, pool their nuclear deterrents.

At any rate, you would then have three nuclear powers in the West cooperating on a special basis. That might give de Gaulle the satisfaction he has been seeking from his NATO directorate scheme.

## Basic change coming in Soviet economy?

In a speech at a British trade fair being held in Moscow currently, Khrushchev has just declared that a basic change is coming in the Soviet economy. If he means it, the Soviet Union soon will be a still stronger competitor for world influence.

Khrushchev now says that Soviet heavy industry no longer needs the priority it has been getting, and that consumer goods production can be pushed at an equal rate. Under the Seven-Year Plan, heavy industry has been slated to increase by 85%, light industry by only 65%. Note, too, that when this plan was launched in 1959, heavy industry accounted for about 75% of total industrial output.

You don't have to take Khrushchev's statement at its face value to realize that something big may be afoot. He undoubtedly has his eye on the Communist Party congress in November, which is to be a historic occasion on two counts. It will approve:

## International outlook Continued

- A new party program—the first since Lenin's in 1919.
- A 20-year plan for the Soviet economy.

**'True Communism'** What better occasion from Khrushchev's angle than to launch his new consumer goods plan at this time—perhaps announcing the coming of "true Communism." (Up to now it has just been "socialism," officially.)

If Khrushchev could pull this off, he would be one of a Communist trinity—Marx, Lenin, Khrushchev. Stalin and Mao Tse-tung would be left on the sidelines of history.

Assuming this is Khrushchev's plan, what are the results likely to be—at home and abroad?

Inside Russia, there's no doubt it would strengthen the Khrushchev regime. He would gain greater popularity among industrial workers and, by offering the farmers more consumer goods, he might get out of his agricultural jam.

In the outside world, it would probably mean an increased Soviet demand for plant and equipment—but also a stronger export drive to cover the cost of larger imports. More important, the Soviet system would gain appeal in the underdeveloped countries. In short, the prospect would be for an increasingly competitive form of "co-existence."

### Canada considers membership in OAS

Canadian Prime Minister Diefenbaker has invited Parliament to debate the possibility of Canadian membership in the Organization of American States (OAS). Kennedy suggested that Canada consider joining on his visit.

Canada's leaders are divided on the subject and most are lukewarm toward the proposal. Two principal objections are given:

- Canada should not become involved in the political turmoil that some Canadians expect in Latin America during the next few months. It should wait, this argument goes, until it can gauge more accurately the effects of Cuban Communism on other Latin American nations.
- Joining OAS will cost too much. Membership in OAS would probably obligate Canada to contribute about \$25-million a year to help finance Kennedy's proposed Alliance for Progress. Canadian officials forecast a \$700-million deficit for 1961-1962 and they don't want to add to it.

### Quadros causing Brazilians to grumble

Brazil's new president, Janio Quadros, is losing popularity. Elected by a 2-to-1 margin last October, Quadros has Brazilians grumbling because:

- Prices are headed up, the cost of living having jumped 4.5% in April.
- There's fear of recession, despite the inflation. Bank credit has been shrinking drastically.
- Quadros' campaign to make people work harder stings.

### Foreign policy raises doubts

The greatest source of disquiet among influential Brazilians is Quadros' "independent" foreign policy, which appears to be leading Brazil into the third force of neutral countries. Quadros and members of his administration have refused to take a stand on Cuban Communism.

Moreover, a trade mission touring Eastern Europe has signed barter agreements worth \$1.4-billion—equal to Brazil's annual foreign exchange earnings. Negotiations are also under way with the U.S.S.R. and China.

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# Mapping new strategy for Southeast Asia

**Laos settlement will probably involve a shifting of balance of power in Southeast Asia toward the Communists**

**Neutralist sentiment in area is growing as a result of uncertainty concerning Western intentions**

**In light of past failures and present Communist tactics, U. S. is rethinking its military and political policies**



**Vietnam's Pres. Ngo Dinh Diem** heads country terrorized by Communists.



**Thailand's Sarit Thanarat** is uneasy over Western indecisiveness in Laos.



**Philippine Pres. Carlos Garcia** leads U. S.'s staunchest ally in Southeast Asia.

No matter what settlement of the Laotian conflict comes out of the 14-nation conference now in session at Geneva, the U.S. will have dismissed Laos as an asset to the Free World. The best the U.S. can hope for is a genuinely neutral Laos. The more likely result will be a pro-Communist Laos or a partitioned nation.

The potential loss of Laos to Communist domination means a new political and military equation in Southeast Asia, a shifting of the balance of power toward the Communists. A look at the map opposite shows that Laos is an open corridor for invaders or infiltrators into the rest of Southeast Asia.

**Reassessment.** With the once-strong position of the Western powers in Southeast Asia becoming uncertain, the U.S. is rethinking its policy concerning the area. Washington is re-examining the strategic value of Southeast Asia, U.S. commitments to defend the region, and methods of preventing Communist advances.

The policy that will emerge is far from clear. At the moment, the U.S. is in a retreat that may not end with Laos unless we are willing to risk a Korea-type war. Washington, however, has been reiterating its intention to hold Southeast Asia.

But the firmness of this commitment is splattered with question marks. There's even some speculation that the U.S. may negotiate with the Russians to set up a belt of "neutral" states, stretching from South Vietnam across southern Asia to Turkey. In effect, this would mean the demise of our alliances in both Southeast Asia and the Middle East.

**Uneasiness.** Moreover, the intent of other non-Communist nations involved in Southeast Asia—Britain, France, India—and their capacity to act isn't clear. A further complication is an uneasiness surging through the nations of Southeast Asia that, because they aren't sure what the Western nations will do, seem to be considering an accommodation with the Communists.

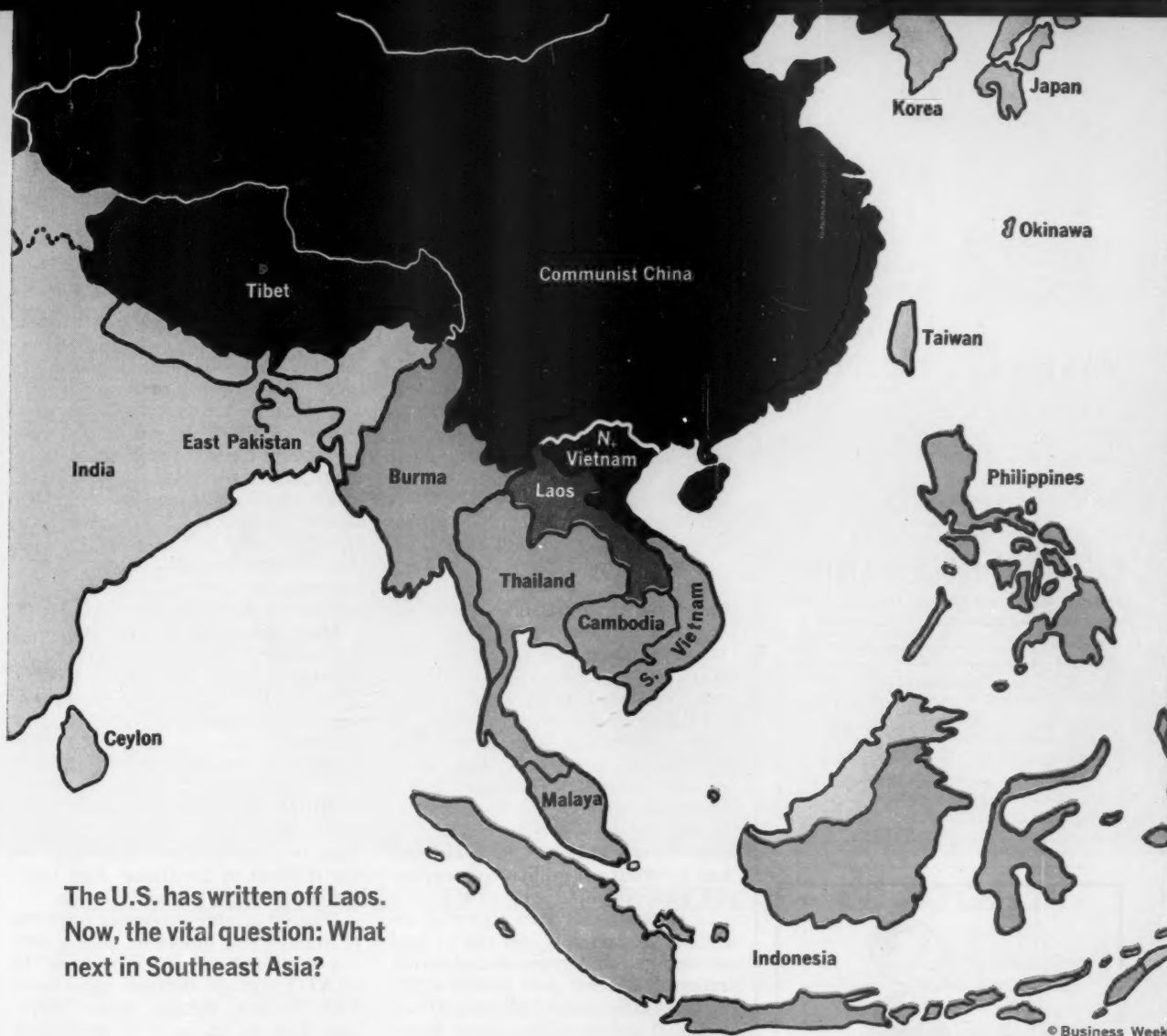
It is a vicious cycle of distrust, feeding upon itself. Southeast Asian mutterings of neutralism are making the Western powers less enthusiastic about fulfilling their commitments. This, in turn, is increasing the trend toward accommodation in Southeast Asia.

## I. Past policy

The U.S. involvement in Southeast Asia has evolved over the past decade as a series of defensive reactions to successive outward thrusts of Communist Chinese power.

During the Korea War, the U.S. began thinking seriously of the threat of Communism in Southeast Asia. As the British and Dutch colonies became nations, there developed a power vacuum into which the Chinese Communists could move. In the Philippines and French-controlled Indochina, indigenous Communist guerrilla armies sought to overthrow the existing order.

**SEATO.** It wasn't until 1954, however, that the U.S. became firmly committed to Southeast Asia. After the fall of Dien Bien Phu in Indochina, and the ensuing split of Vietnam, the U.S. helped set up the Southeast Asia Treaty Organization



(SEATO) and began pouring in aid.

In SEATO, the U.S. joined with Britain, France, Pakistan, Thailand, the Philippines, Australia, and New Zealand in a collective security pact. Under its terms, members must come to each other's defense against both open attack and subversion.

SEATO also covers, under a separate clause, Laos, Cambodia, and South Vietnam. Malaya is implicitly covered because it is a member of the British Commonwealth and has a defense pact with Britain.

Only Burma and Indonesia fall outside the pale. Basically pro-Western, Burma has pursued a neutral policy because it doesn't want to antagonize Red China, with whom it shares a 1,000-mile frontier. Indonesia, led by Pres. Sukarno, is also neutral, though Sukarno himself is ideologically closer to Communism than to the West.

**Aid bill.** Within the past 10 years, the U.S. has given nearly \$6-billion

in economic and military assistance to the nations of Southeast Asia. About 70% of this has gone for economic aid, and 30% for military aid. Vietnam and the Philippines have received the two largest grants of economic assistance, slightly more than \$1-billion each. Vietnam has also been given the most military help, \$445.7-million worth. Thailand has gotten \$280-million and the Philippines \$200-million.

By strengthening these nations, the U.S. sought to make them solid blocks in the wall of containment being built around the Communist land mass. This wall stretched from Korea, through Southeast Asia and the Middle East to the North Atlantic Treaty Organization (NATO).

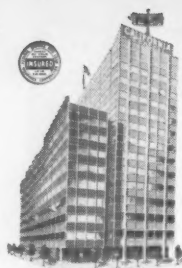
## II. Strategic value

Today, however, the strategic reasons for U.S. involvement in Southeast Asia are changing. Containment

is a dying, if not already dead, doctrine. Like the Great Wall of China, or the Maginot Line, it has been rendered obsolete by new techniques of war and international power politics. With a growing arsenal of missiles and nuclear weapons, the Communists now have the ability to hurdle the wall of containment with ease.

Moreover, they are engaged in guerrilla war and a rough-and-tumble version of ward politics and economic maneuvering throughout the world, using a bewildering variety of violent and nonviolent weapons to spread Communist power.

**Policy choice.** In Washington, planners are debating the virtues of three alternatives to deter the Communists: (1) complete reliance on massive retaliation, on one extreme; (2) complete disengagement, on the other; and (3) a middle ground of combating the Communists wherever politically, tactically, and logis-



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tically possible, meeting thrusts with similar counter-thrusts.

No clear-cut global choice has yet emerged, and may not for some time. For Southeast Asia, at least, the indications are that Washington is choosing the middle ground, for economic and political reasons.

**Economics.** The U. S. has no great economic interest in Southeast Asia. Trade with the nations of the area accounts for only 5% of U. S. imports and exports. Imports of tin, rubber, and oil are important but not vital.

Nor is U. S. investment in the region large. Book value in 1960 was less than \$700-million. Over half of this is in the Philippines, with which the U. S. has traditional ties.

But in war, hot or cold, it is often just as important to deny resources to the enemy as to gain them for oneself. Control of the land and natural resources of Southeast Asia would be a tremendous asset to Communist China.

**Hungry China.** To China, with its 680-million people, the relatively underpopulated regions of Southeast Asia are indeed tempting. Known as the rice bowl of Asia, the southeastern region beckons as a verdant garden to China's undernourished masses. The lure is even greater today, with China suffering from severe famine and Southeast Asia growing a 4-million-ton surplus.

A further enticement to the Chinese is the area's raw material resources, its minerals and oils to feed an ambitious program of industrialization. Southeast Asia provides 90% of the world's natural rubber, 60% of its tin. It produces significant quantities of natural resins and gums, iron ore, bauxite, and various foods.

China trades with much of the area now, but must either barter sorely needed goods or food, or buy with foreign exchange reserves, now depleted by purchases of food abroad to offset the shortages at home.

Were Communist China to gain control of Southeast Asia, it would get a transfusion of desperately needed resources. Its dependence upon the Soviet Union, which some observers sees as a restraint on Peking, would be greatly reduced.

**Political considerations.** Although the element of economic denial is perhaps foremost in U. S. strategy in Southeast Asia today, there are far-reaching political considerations. If the U. S. were to welch on its obligations there, it would shake or destroy confidence in its defense commitments all over the world.

It's doubtful that the Central Treaty Organization (CENTO), with which the U. S. is associated,

would survive. This alliance, which includes Britain, Turkey, Iran, and Pakistan, has already been strained by the defection of Iraq and increasing unrest in Iran. Elsewhere, the willingness of the U. S. to defend Korea, Japan, Taiwan, and Western Europe would be questioned.

### III. Unclear intentions

These are the doubts that caused Pres. Kennedy to send Vice-Pres. Johnson on a tour of Southeast Asia, from which he returned this week. The Vice-President met with the leaders of the U. S.' principal allies throughout the area, reaffirming U. S. intentions to defend the region.

It's certain that an open armed attack against nations covered by SEATO would be met with force by the U. S. It's less certain, in light of our indecisiveness in Laos, what the response will be to subversion.

Many Southeast Asians, bitter and disillusioned over Laos, remain to be persuaded with concrete evidence. To begin the persuasion, Johnson offered to increase U. S. military and economic aid and apparently has prepared a coordinated plan for such aid to present to the President.

**British and French.** Equally serious doubts are raised by the less than overwhelming commitment to the defense of Southeast Asia coming from the British and French.

Despite sizable economic interests in Malaya and Indonesia, and a serious approach to its obligations to SEATO and its defense agreement with Malaya, Britain views Southeast Asia as an area of peripheral interest.

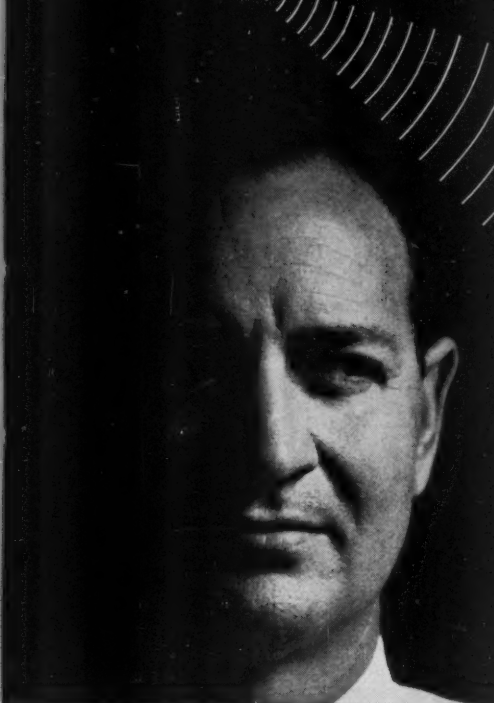
French thinking about the area is clouded, not only by preoccupation with Algeria, but by its resentment of American influence there. Vietnam, Laos, and Cambodia make up France's pre-war Indochina colony.

Like the British, the French look on Southeast Asia as a peripheral area. With respect to Laos, they seek a neutral solution. Beyond that, Paris has not made itself clear.

**India's path.** A nation more directly concerned with Communist advances in Asia is India, which already has Chinese soldiers peering down upon it from the Himalayas along its northern border. Chinese advances into Southeast Asia would put them on India's eastern flank.

Even so, India appears reluctant to take a firm stand against Communist moves into Laos and the rest of Southeast Asia. Part of this comes from India's lack of economic and military strength.

Another reason grows out of Prime



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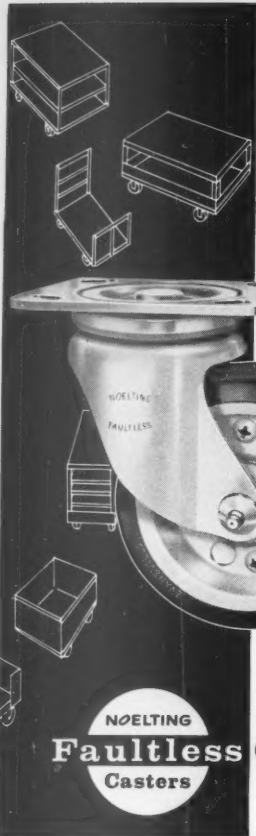
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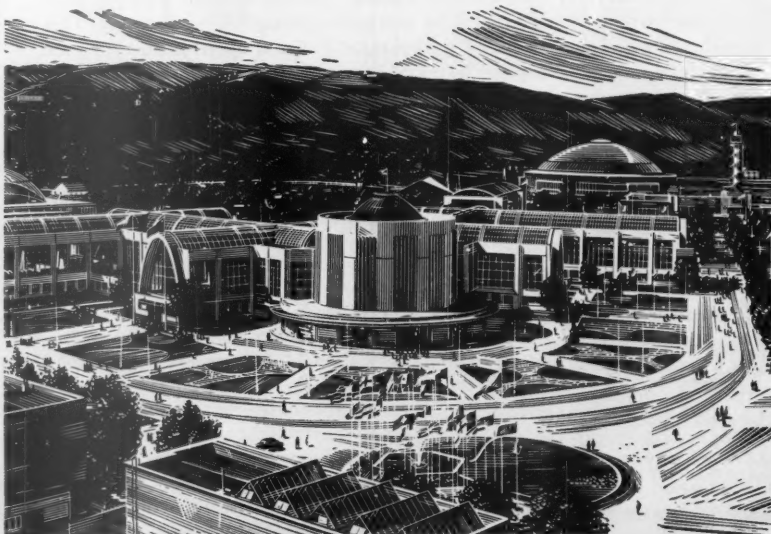
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Minister Nehru's conviction that neutralism is the only path for India in international politics. Even when confronted with imminent danger on India's borders, Nehru clings to the belief that India can escape involvement through neutralism.

### IV. Southeast Asian allies

Another sticky consideration is the uncertain willingness and capacity of the Southeast Asians to defend themselves.

**Realists.** The Southeast Asians are realists: They don't want to be tied to the tail of a losing major power. Several of their leaders are dubious about the intentions of the U.S. and its Western European allies, and they are thinking of making a deal with the Chinese, in the hopes that they can soften the impact of Communist influence or domination.

Beyond that, Southeast Asia is not a unified bloc of nations. It is a Balkanized region, with quite different ethnic groups, languages, and politics. And a large number of Chinese control sizable portions of each nation's economy, giving the Communists a built-in Fifth Column.

**South Vietnam.** On the mainland, the keystone of the U.S. defense line is South Vietnam, which is in a state of siege. An estimated 12,000 Communist guerrillas and terrorists are operating within its borders, weakening the U.S.-backed regime of Pres. Ngo Dinh Diem Vietnam.

Although he has been accused of nepotism and arbitrary rule, Diem has accomplished substantial economic and social progress. But the Vietnamese army has been trained mostly in conventional warfare to resist invasion from Communist North Vietnam, and it has so far been unable to rid the country of guerrillas. Lacking effective army protection, the rural population's resistance to the Communists has waned.

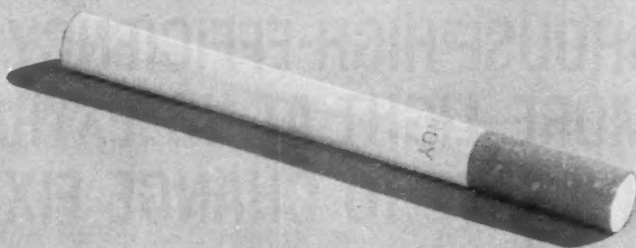
**Thailand, Philippines.** In Thailand, another major ally, leaders are giving serious thought to accommodation with the Communists. Thailand successfully avoided strong foreign domination through the era of European and Japanese conquest by making whatever deal was necessary to retain some semblance of independence.

In the Philippines, the U.S. has its staunchest ally in Southeast Asia. Despite several areas of disagreement, the historical and ideological ties between the Philippines and the U.S. are strong. Pres. Carlos Garcia has offered to fulfill his nation's obligations to SEATO with whatever armed force is necessary. **End**

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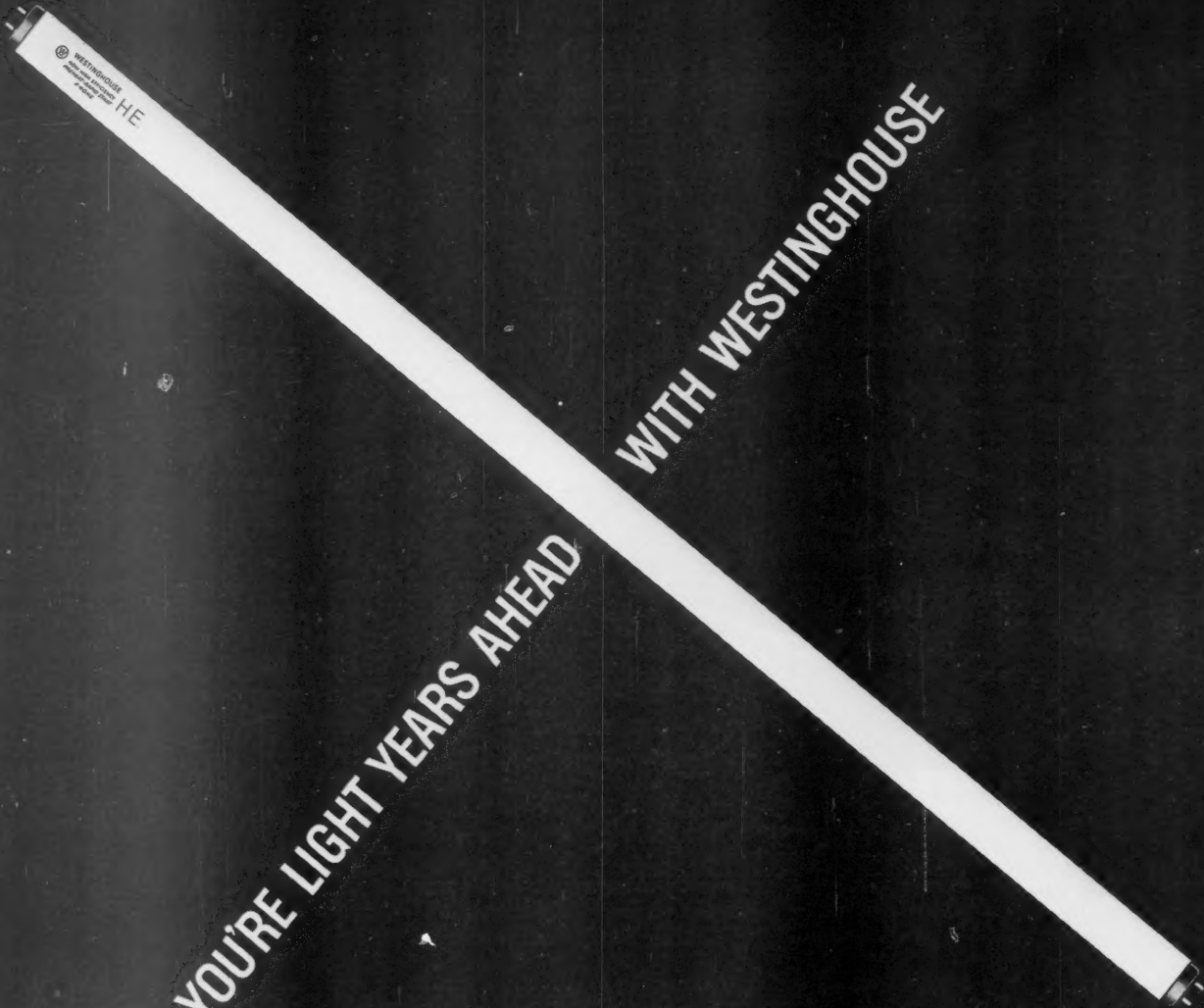
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# In business abroad

**BW**

## Russians prod British to buy more, but push goods Britain doesn't want

To expand trade between Russia and Britain, Russian officials this week are putting pressure on exhibitors at the British Trade Fair in Moscow. Whitehall is worried that British businessmen, who have spent \$5.6-million on the Fair, will be tempted.

Officially, Moscow is arguing that huge Soviet orders are waiting to be placed if only the British government will reciprocate by allowing more Russian exports into the home market. Specifically, the Kremlin wants to export oil, butter, bacon, watches, and cameras to Britain.

Thus far, Whitehall refuses to budge. Britain will not buy Russian oil while her own oil—produced by British companies in Venezuela and the Middle East—is more than enough to fill domestic needs. Nor will Whitehall allot quotas for butter and bacon. These commodities are among the chief obstacles to a British agreement with the European Economic Community (EEC).

There already are quotas for cameras and watches, but, according to the British, Moscow has no idea of commercial selling.

The same is true for Russian exports of machinery and capital goods. Presently, the Russians are not using their open quotas on these goods.

But the Russians insist on a quota for oil—500-million tons a year would satisfy them as a start. To this end, Khrushchev has publicly appealed to British businessmen to put pressure on their government to let in Soviet oil.

What worries Whitehall is that the Moscow case is plausible enough to cause trouble for the British government with business opinion.

## Kuwait takes an Italian partner in \$45-million petrochemical complex

Kuwait chalked up two firsts this week: its first major industrial venture outside oil, and the first foreign participation in any Kuwaiti national enterprise (BW—May 20 '61, p113).

Sheik Abdullah al-Salem al-Sabah, ruler of the Middle East country, this week signed a decree authorizing the formation of a new national company, Kuwait Petrochemicals Co., Ltd. The Italian chemical construction firm of Oronzio de Nora of Milan is a partner in the undertaking.

Capitalized at \$45-million, the new company will set up Kuwait's first petrochemical and fertilizer complex. Oronzio de Nora and the Kuwait government each will have a 40% share. Of the remaining shares, 12% will be sold to the public, 5% goes to the state-owned Kuwait National Petroleum Co., and the rest to the Kuwait Industrial Co.

The company will start construction of the complex

immediately. Although no production figures were given, Kuwaiti officials say that the output is slated mostly for export.

## Du Pont, Pemex will produce tetraethyl lead at Tampico plant

Du Pont signed an agreement last week with Mexico's national oil company, Petroleos Mexicanos (Pemex), to produce, distribute, and eventually export tetraethyl lead, a gasoline additive.

Under the agreement, later this year the two companies will start construction of a plant at Tampico. The total cost will be \$8-million.

Du Pont, which usually likes to own its foreign subsidiaries, has had to face the facts of Mexican business life. Because of the Mexicanization of industry decree that came into effect early last month (BW—Mar. 4 '61, p84), du Pont will own only 49% of the new operation. Pemex will control the remaining 51%.

Presently, all Mexico's tetraethyl lead requirements are imported at an annual cost of \$6-million. These will be eliminated when the new plant is operative.

## Socony bids \$18.7-million for entree to Britain's petrochemical market

Socony Mobil Oil Co. will venture into Britain's fast-growing petrochemical industry.

Mobil is making an \$18.7-million takeover bid for O. & M. Kleemann, Ltd., British plastics manufacturer. Acting through a wholly owned British subsidiary, Mobil Holdings, Ltd., Mobil is offering to buy all outstanding stock—both common and preferred—in Kleemann.

Thus far, Kleemann's chairman and co-directors, who together control about 42% of the common stock, are accepting the offer for their own holdings. Moreover, they are urging other shareholders to do the same. One hitch is that Mobil's offer is subject to British Treasury consent.

The British company fits into Mobil's long-range plans to expand into the chemical field and to insure an outlet for its petrochemical products.

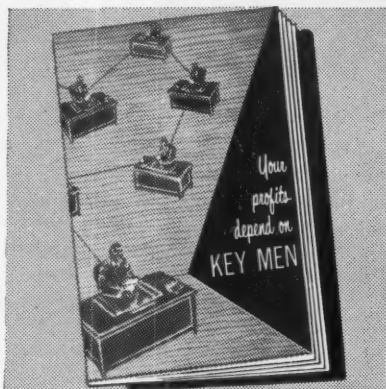
## Eaton moves into European manufacturing

Eaton Mfg. Co., Cleveland producer of automobile, marine, and industrial components, this week made its entry into Western Europe as a prime manufacturer. It acquired for an undisclosed amount of cash a majority interest in a newly formed Italian company, Eaton Livia S.p.A. Previously, Eaton Livia had bought out Officine Sant' Ambrogio S.p.A. of Turin. Sant' Ambrogio has been Eaton's exclusive licensee in engine valves, and the largest producer of this component in Italy.

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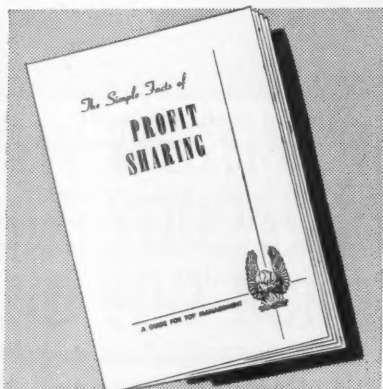
We will gladly send you a copy of any of these booklets—or all of them. Just clip the coupon below and check the booklet you are interested in. Phoenix Mutual will mail your copy, without cost or obligation. Don't delay.



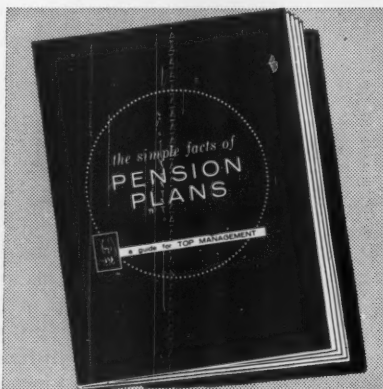
**KEY MEN.** How a growing business can avoid the financial hardships caused by the loss of key employees.



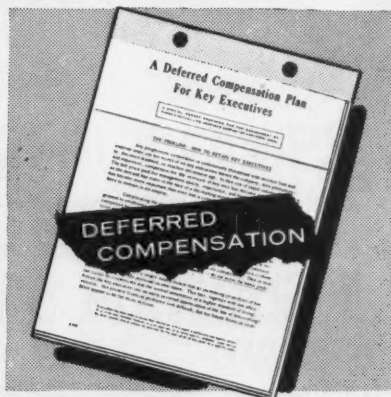
**SPLIT DOLLAR.** How progressive management can provide generous benefits to selected employees at minimum cost to the business.



**PROFIT SHARING.** A simple explanation of one of today's most popular methods for management and employees to share in the rewards of successful business.



**PENSION PLANS.** A 30-page booklet which tells in layman's language how to install and provide the funds for an employee pension plan.



**DEFERRED COMPENSATION.** How modern businesses are solving the financial problems of key executives through deferred compensation.

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Victors in Alleghany fight: John D. Murchison (left) and Clint W. Murchison, Jr.

## THE MARKETS

# Where Murchisons aim with Alleghany

**With loser Kirby's shares still a factor, Texans plan no hasty steps; but stock split looms for investment subsidiary, and special situation moves are goal**

After 24 years, Allan P. Kirby got his walking papers this week from Alleghany Corp., the holding company he bankrolled for the late Robert R. Young. He was pushed out by the Murchison brothers of Dallas (picture), who won a dramatic proxy contest (BW—Apr. 29 '61, p99) and took over all nine seats on Alleghany's board.

The Murchison slate rolled up a surprising margin of 854,000 votes over Kirby among common shareholders. They had roughly 5-million votes to Kirby's 4.2-million. Among preferred stockholders—who filled two seats—their candidates polled 523,000 against Kirby's 388,000. The big margin was provided by stock held in "street names" by Wall Street brokers, and by friends and business associates of the oil-rich Murchison family. Kirby's personal holdings weren't enough to win.

**First moves.** As victors, the Murchisons are in no mood to ask any backers to step aside and give Kirby a seat, despite his nearly 3-million shares.

As yet, John Murchison says he

hasn't found the right man for the president's spot—held up to now by Charles T. Ireland, Jr. In the meantime he will fill the role himself. As temporary officers, he also chose Stephen Rooth and George Demas, both instrumental in the proxy fight. An executive committee, including the two Murchisons, A. M. Sonnabend, Frank E. McKinney, and Edgar T. Rigg—all Murchison backers in the proxy fight—was charged with studying what to do with Investors Diversified Services, Inc. This \$3.7-billion investment company is Alleghany's biggest asset and the chief prize in the battle.

**Uneasy crown.** While the Murchisons won what amounts to a landslide victory, the stock market shrugged it off. Alleghany's stock price rose  $\frac{1}{8}$  to  $12\frac{1}{8}$ . The Murchisons will wear an uneasy crown unless they can settle their feud with Kirby.

If he decides to, he can make trouble—either by dumping shares on the market or by increasing his position and challenging them again.

**Faster workers.** For the moment,

though, they are concentrating on what to do with Alleghany and its \$6.7-billion investment empire. There is no doubt they will move faster and more frequently than Kirby. They have a reputation for dealing in special situations, and will want to put to work Alleghany's \$11-million in idle cash. But they do not plan any hasty moves.

The Murchisons, for example, were quick to express confidence in the management of the New York Central RR, which Alleghany controls. John Murchison says he'd like Alfred E. Perlman to remain as president. But Murchisons intends, in his words, to give more guidance to the Central. He aims to push harder, but in private, for mergers.

**Case of IDS.** The first order of business is IDS. The Murchisons have a 15% stake in IDS personally, though Kirby threw them off the board last year. High on the agenda is a stock split. The Murchisons talk in terms of 5-to-1, or higher; in anticipation, IDS stock has risen to \$265, up some 70 points over the past months.

A split probably will come only after a recapitalization of IDS' two classes of existing stock—non-voting and voting common—into just one class of voting common. Recapitalization, though, will significantly reduce Alleghany's share of voting stock, now 47.5%.

**Other holdings.** It will be hard for the Murchisons to do much with Alleghany's three other investments—Webb & Knapp, Inc., Transamerica Corp., Missouri Pacific RR.

John Murchison agrees the recent \$1.6-million investment in Transamerica stock was a good buy; Transamerica's stock has since risen.

On June 1, Alleghany will close a deal with Webb & Knapp—negotiated by the Kirby group—that will give Alleghany a more secure lender's position with the real estate company. It will give Alleghany title to W&K's Denver Courthouse Square development, subject to W&K lease, and provide Alleghany with warrants to buy 1-million W&K shares.

In the past three years, Kirby brought Alleghany's ownership in Missouri Pacific Class B common to more than 50%. Though dividends are unlikely for quite a while, the Murchisons think the block is worth a premium price if anyone were to bid for MOPAC.

**Leverage.** Thus, the Murchisons will find it difficult to shed any investments. Sooner or later, though, they will try to use Alleghany the same way Young did—seeking highly leveraged positions in special situations. **End**



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# A change in the wind for bonds

**The Kennedy market begins to crack. Will easy money policy be shifted?**

The Kennedy bond market, which up until now had been supported by steady buying from the Federal Reserve, is starting to crack. As yet, there is no indication of a reversal in the Fed's easy money policy, which would mean the beginning of a new bear market for bonds. But a change appears in the making.

Bond dealers this week were cautiously and nervously preparing for a shift toward somewhat less easy conditions. Selling from professional dealer accounts—as distinguished from long-term investors—was chiefly responsible for the dip in government bond prices this week. You can see this in the chart, which shows price swings in the Treasury's 4½% bonds of 1985/75, one of the few long-term U.S. issues in which there is an active two-way market.

The shift is expected to be a moderate one, in contrast to the sharp reversal in June, 1958, which led to a debacle in government bond prices. "Dealers have cut their inventories to the bone," says Herbert B. Jones, vice-president of New York Hanseatic Corp. "I'm looking for bond prices to slide from now on, though the drop ought to be gradual."

**Experiment.** The shift in expectations in the bond market highlights one of Pres. Kennedy's more controversial experiments. This is "Operation Nudge," the Administration's money management scheme to support short-term interest rates at about 2%, while at the same time trying to bring about a drop in long-term rates to encourage business borrowing.

Statistically at least, the experiment has been a success. The rate on 91-day U.S. Treasury bills, the benchmark from which all other short-term rates are measured, has remained above the 2% level; the outflow of short-term money to high

interest rate centers abroad has been stopped. And long-term borrowing costs have come down significantly, which has prompted a rush of corporate and municipal bond offerings.

The Administration has achieved its objectives through a combination of "open mouth" policy and Federal Reserve intervention. While the Fed did not return to its old "pegging" policy of maintaining a fixed level of rates, it has been a major influence on the long-term market.

As a bond dealer in Chicago puts it, "If it hadn't been for the buying from the Fed, the bond market would have turned down two months ago."

**Pegging.** Clearly, if the Fed is going to avoid a return to pegging it will have to pull away from the market at some stage or other in the business recovery. What with business improving and with the increasingly bullish sentiment in the stock market, professionals are betting that time has come. There are lots of technical money market indicators to support this inference. First of all, the tone of the market has been tight. The rate on federal funds—overnight loans between banks—which had been well under 2% in recent weeks, is now running close to the 3% rate that banks currently have to pay to borrow at the Fed's discount window. Indeed, borrowing by member banks from the Fed has itself been increasing.

Moreover, the market tends to

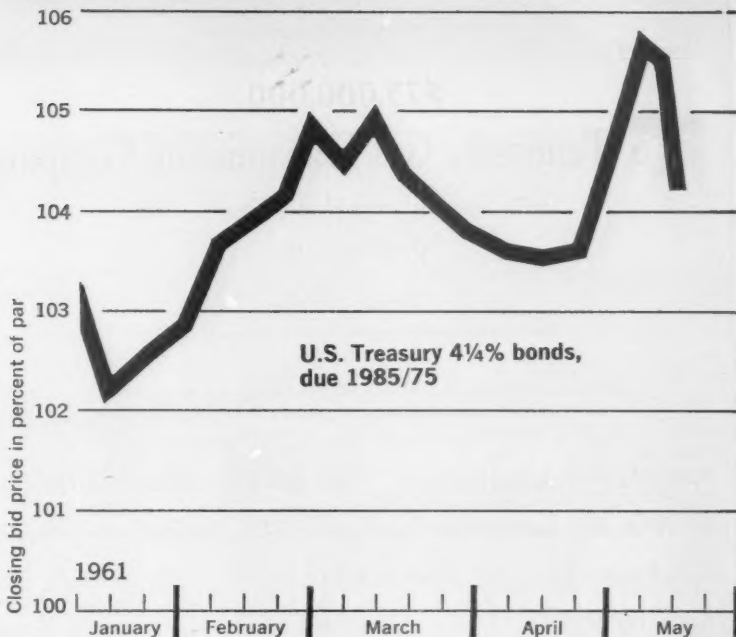
anticipate changes in policy. Aubrey G. Lanston & Co., Inc., a major government bond house, says that "when official buying stops for a period, prices drop abruptly." Adds Lanston: "We are rapidly reaching a stage where the nudging operation either must give ground under the pressure of market forces . . . or nudging will fall into 'pegging.' No one at the Fed seems to want 'pegging.'"

**Prospects.** Even granting that Fed policy is in the process of change, and that money rates are headed higher (and bond prices correspondingly lower) bond prices are not likely to collapse as they did in the summer of 1958, the last time the Fed switched from a policy of ease to one of restriction. The money managers have no intention of simply withdrawing official support from the bond market.

The prospect is that, unlike 1958—when prices, after being bid to dizzy speculative heights, came crashing back down—there will be a gradual return to higher interest rates. Dealers are betting that the Fed will gradually cut back its purchases of bonds in the intermediate range (one to five years maturity), while continuing to supply reserves to the banking system through buying in the short-term sector.

"The Fed will stay in the market," says Tilford C. Gaines, a vice-president of the First National Bank of Chicago. "My guess is that the Fed will allow rates to edge up." End

**The Kennedy bond market**



Data: New York Hanseatic Corp.

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*New Issue*

*May 16, 1961*

**\$75,000,000**



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*May 18, 1961.*

## Wall St. talks...

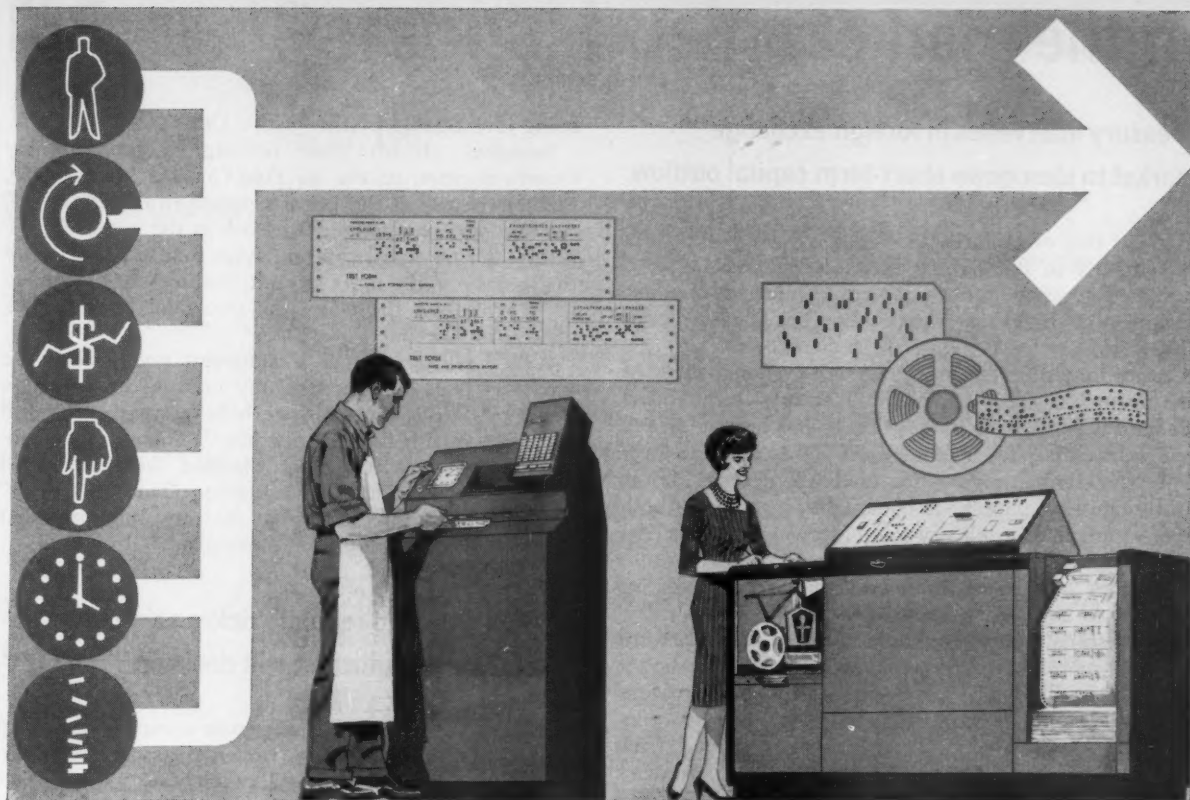
**about Hughes' latest trouble,  
Farrington Mfg.'s slide,  
what institutions are selling**

Hughes Tool Co., personally owned by millionaire Howard Hughes, is involved in another hassle over its part of the \$300-million Trans World Airlines financing. As the largest (78%) TWA stockholder, it guaranteed that "at least" \$100-million would be raised in a pending rights offering of subordinated income debentures to TWA stockholders. Then, two weeks ago, Hughes Tool asked that the public financing be postponed, to allow time to arrange underwriting for its share of the obligations. But TWA, now controlled by a voting trusteeship dominated by a group of large commercial banks, turned Hughes down flat. Hughes, on its part, threatened a lawsuit to unhinge the whole voting trust arrangement.

Farrington Mfg. Co., once highly touted as a growth stock, has been having its problems; its stock price has dropped from a high of near 60 last year to 15. David H. Shepard, who invented Farrington's optical scanner, resigned as vice-president a month ago in a policy disagreement—he reportedly wanted more money spent on research—with Pres. William M. Tetrick, and rumors are that Shepard has liquidated a huge block of stock.

Fidelity Capital Fund, one of the hottest items in the mutual fund field these days, should get a boost from its purchase of shares in Welch Scientific Co. Welch, which just had its initial public sale of stock, was offered at \$28 and is now trading about \$47. Fidelity Capital, by beating the bushes on Wall Street, was able to get 7,000 shares from a total of 41 securities dealers.

In the past few years, investor-owned utilities have been the largest single issuers of bonds. But this could change, say a number of consultants, as a result of the recent antitrust actions against the big electrical equipment companies. They say that if prices of generating equipment slide, it will mean reduced spending—and fewer financings. This might usher in a bull market for outstanding bonds and for the fewer new issues coming to market.



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The information required about each event is recorded on the Stanrecorder by means of embossed plates, punched cards, time clock and keyboard. The Stanrecorder automatically prints in both man-readable and machine-readable language on a 2-part continuous form.

A copy of this coded form is next fed into the Stano-matic Reader-Translator which prepares the data for machine processing. (In companies with relatively small production volume, this job can be accomplished by manual key-punching of tabulating cards using the form prepared in the Stanrecorder as the source document.)

Source data pertaining to labor distribution and production control are automatically accumulated for fast, accurate, complete processing. But going farther, the Stanomatic System provides bonus advantages. The worker can have his own copy of each transaction he records. A complete, permanent chronological audit trail is provided by which every transaction can be quickly reconstructed. And management receives faster, more accurate, more comprehensive reports.

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# In the markets

**BW**

## Treasury intervenes in foreign exchange market to slow down short-term capital outflow

Without fuss or fanfare, the U.S. Treasury is intervening directly in the foreign exchange market—a move designed to moderate short-term capital movements. Details of its highly secret operation began seeping out this week.

According to traders on the foreign exchange desks of the major New York banks, the Treasury—through the Federal Reserve Bank of New York—has been a “steady and substantial” seller of forward Deutschmarks ever since the German revaluation of the D-mark in March. In foreign exchange, as in commodities, there are both spot—immediate delivery—and forward—future delivery—markets. For the most part, the Treasury’s operations have been confined to sales of marks for delivery in 90 days.

One estimate puts the total amount of these forward sales at more than 1.5-billion marks, which is better than \$300-million. To cover these sales, the Treasury has used the marks acquired in the German debt settlement (BW—May 6’61, p34), and marks obtained from other sources. The Treasury also holds other currencies—which indicates that the scope of its intervention may broaden in time.

The Treasury’s move is intended to reduce, or, at the very least, to put a ceiling on the market premium on forward marks. This premium acts as an additional incentive—amounting to about 1.3% annually at present—for short-term investors to switch their funds from dollars into marks. By putting a lid on the forward market in marks, the Treasury, in effect, limits the attractiveness of short-term investment in West Germany.

Opinions differ on the Fed’s handling of the operation. One banker calls the Federal Reserve’s foreign exchange traders “inept and naive.” But other bankers are more complimentary. Said one dealer: “The premium on forward marks would have been much higher than it is without Fed intervention.”

But whatever judgment is passed on the Fed the intervention undoubtedly represents the first tangible evidence of the new spirit of international cooperation between monetary authorities. It’s not likely that the Treasury, even with the substantial holdings of marks it acquired in the recent German debt settlement, could have carried out the operation without close support from Germany’s central bank, the Bundesbank.

## AT&T finds that being a growth stock involves taking some bumps along the way

American Telephone & Telegraph, once the favorite stock of widows and orphans but now considered a growth issue, got some rough “growth stock” treatment in the market this week following a report that it was

being investigated by the Justice Dept.’s Antitrust Div.

Investors, already made nervous by the Supreme Court’s decision on the du Pont-General Motors case, sold in volume as the price dropped from 124 to 118. Speculators, who bought the stock in the recent AT&T rights offering on 25% margin, were told to put up more cash—or be sold out. As a result, trading was suspended for a while. At the close, the stock got back to 122, off 3½ on the day.

AT&T officials issued a statement saying that “we have not been informed of any unusual investigation going on at this time and we believe we were in full compliance with the antitrust laws.” Then Lee Loevinger, Justice’s antitrust chief, clarified the report, said that his department is investigating “various aspects” of the telephone industry, but that any inference that action is planned would be a mistake.

## NYSE’s power to regulate ticker services threatened by antitrust suit decision

The New York Stock Exchange was unexpectedly thrust under the jurisdiction of antitrust laws last week, threatening its control over its members.

Federal Judge Frederick van Pelt Bryan, after hearing a \$1-million suit brought by Harold Silver, a Dallas over-the-counter dealer, held the NYSE liable under the antitrust laws for ordering members to sever private wire connections with Silver’s Municipal Securities Co., Inc.

Silver said that the NYSE’s order cut him off from over-the-counter departments of the member firms. He claimed that in discontinuing its stock ticker service to him, the exchange had placed him at a disadvantage in servicing customers.

The result, Silver contended, was a loss of \$3-million in volume in the seven months following the order compared to the previous seven months, and his firm finally folded. His suit charged that the NYSE’s action was an “unreasonable restraint of trade” and added that the exchange refused to tell him—or the member firms with whom he had dealt—the reason for its decision.

The NYSE, which contended that under the Securities Exchange Act it is a regulatory agency charged with supervising its members’ activities, has refused to comment further on the case. But it is expected to lodge an appeal on the ground that its regulatory function permits it to decide who is entitled to wire connections.

NYSE members professed to be just as much in the dark as Silver as to why the action was taken, but many pointed out that in previous cases the reason usually has been a serious breach of conduct in security dealings.

Silver’s case is based on the proposition that the NYSE not only has no power to discipline a non-member, but cannot interfere with the nonexchange activities of member firms—a contention that would blunt the exchange’s ability to regulate “general business methods” of member firms.

May 27, 1961

## Summer driving and the danger of accidents

Chances are you'll be clocking a lot of highway mileage this summer—much of it on weekend trips, when accident hazards rise.

If you are involved in an accident, however, it's easy to forget in the excitement what you should and shouldn't do. Here are some pointers—with emphasis on driving outside your home state:

First priority, of course, goes to tending the injured, if any. Beyond that, there's the problem of establishing the facts clearly. You'll want to line up witnesses, but be careful not to rely on one trustworthy looking witness where others are present. List three or four, if possible, and get their home and business addresses. But don't discuss details of the accident with them—statements made under stress can backfire in court.

## Try to collect facts calmly

Be sure to get the names and addresses of the other driver and his passengers, his car's license and registration numbers, his driver's license number, and the name of his insurance company and policy number. **Important:** Write down the exact time and place of the accident, directions the vehicles were traveling, and the condition of the highway and weather.

Phone your insurance company as soon as possible (it's a good idea to keep a list of regional claim offices in your wallet)—or, if necessary, call your own agent directly. The company man sent to the scene should, among other things, help you get quality car repairs nearby; and he'll arrange any necessary posting of security or bond.

If you need a local attorney, your wisest course is to phone your lawyer back home—let him set up the contact, or suggest a law firm in the area.

## Rules can be strict

In all states you must file an accident report within 24 to 48 hours, where there is personal injury or property damage over a set amount, from \$25 to \$100. If you fail to make the report, most states will revoke your right to use their roads, and promptly inform your home state.

As an out-of-state driver, you'll be required to post security ranging as high as several thousand dollars, depending on the law and the type of accident. You'll be stuck in the state until you comply.

If you are sued later, an official of the state will accept service of the papers and send a copy to you by registered mail. You then must appear in person, be represented, or take a judgment by default.

If your chauffeur (or even a parking attendant) is negligent with your car, you're legally responsible, even if you can prove you've given him proper instructions. If he's driving on his own time with your permission, you are liable; without your permission, of course, you're not—but here you have a hard burden of proof.

If you have an accident in a rented car, generally your own liability and collision insurance will cover you (unless you use the car regularly or for business purposes). If you have no personal coverage because you don't own a car yourself, check closely on the rental agency's insurance.

## Checkpoints for safety

To avoid an accident, here are some not-so-obvious points to consider:

Many deadly expressway accidents arise from the dull trance that creeps over drivers on long, open roads and unknown to the driver impairs his

## Personal business Continued

judgment—not just his alertness. Heavy smoking may add to the danger.

Antihistamines and some antibiotics can create dangerous sleepiness, far more than you may realize. "Happy pills" (psychomotor stimulants) can seriously slow reaction time and impair coordination. Tranquilizers often reduce a driver's sense of caution. The American Automobile Assn. urges drivers under even moderate dosage to check with a physician.

**Seat belts can help save your life and limb.** Evidence shows that belts reduce serious injuries around 35%, fatalities 25% to 50%. One major fallacy: Slower driving makes a belt unnecessary. Fact is, says the National Safety Council, 50% of all fatal accidents happen at speeds under 40 mph.

A final suggestion: A recommended rule of thumb for following the car ahead is to multiply your speed by two, and stay that many feet behind.

### Take a sidetrip to Berlin

If you'll be traveling in Europe this year, you may want to see Berlin, the city split between West and East.

You can reach the former German capital by auto or train, but it's much simpler to fly. Pan Am, BEA, and Air France all serve West Berlin's Tempelhof airport from major cities in West Germany. All you need in the way of credentials is your passport.

Berlin's best hotels are the Berlin Hilton, Bristol Hotel Kempinski, Hotel am Zoo, Hotel Berlin, and Windsor. For a surprisingly modest price—around \$9 for a single room—you get comfort and quality service.

Top restaurants in the Western zone include the Ritz (Far Eastern), Aben (international), Schlichter (typical German), and Boersenstuben (seafood). For a sample of good south German cuisine, try Kottler's.

Two savory dishes to order: Eisbein mit Sauerkraut (pig's feet with kraut) and Kassler Rippenspeer (smoked pork chops). Berlin drinks include: Molle mit Strippe, beer with a shot of schnapps, and Berliner Weisse mit Schuss, a light beer with a shot of raspberry sirup.

### Sightseeing: East and West

For a bargain price you can take sightseeing tours, with English-speaking guides. The four-hour tour includes both West and East zones.

Among the highlights of West Berlin are the Brandenburg Gate, the U.S. Freedom Bell in the Schöneberg City Hall (seat of West Berlin's Senate and City Parliament), Charlottenburg Castle, the airlift memorial at Tempelhof, the Dahlem Museum, and the ruin of the Kaiser Wilhelm Memorial Church.

For exploring West Berlin after dark, you're better off with a friend who knows the city. Among the night clubs are Ciro's and the Black Bottom.

Crossing the border to East Berlin is simple and safe, at least if you stay on the beaten path. Many taxis will take you there, as well as the tours.

You'll drive down Stalinallee with its eight-story, Russian-style apartments. This route passes the Soviet Embassy and the prewar Adlon Hotel—famous as the original of Vicky Baum's Grand Hotel.

Your hotel in the Western sector can arrange tickets to the German State Opera, which has been rebuilt as a showcase in East Berlin.

### In the wake of GM-du Pont

Two highly readable books for background: *The Supreme Court—Views From the Inside*, by Alan Westin, gives the pointed comments of contemporary justices, including Frankfurter, Brennan, and Douglas (Norton, \$1.50). For a more basic, historical approach, see *The Supreme Court—America's Judicial Heritage*, by P. C. Acheson (Dodd, Mead, \$3.75).

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## NEW PRODUCTS

# Armored trains aid traffic flow

St. Louis highway uses tiny trains as mobile dividers for reversible lanes

The Missouri State Highway Commission has dreamed up a novel way to control traffic during rush hours on a new \$75-million expressway in St. Louis. Small-scale armored trains of 14 cars, like the one in the picture, are being used as dividers to block off or open up entranceways to a reversible, two-lane highway that runs down the center of the expressway.

The reversible, two-lane section is built in the center strip that divides the two main sections of the expressway—each of which has three lanes. The two center lanes can be shut off completely if not needed; but when they are in use the expressway has five lanes open in the direction of the heavy, peak hour traffic.

The center lanes are reached, however, by entranceways running in from the outer three-lane sections on both sides; and these entranceways must be completely blocked to traffic from the wrong direction. It's



here that the armored trains do their duty—being pulled on tracks across the entrances to block them. When not in use, they are kept out of the way on storage tracks.

**In operation.** Five of the trains will be operated at five different entranceways along a six-mile stretch of expressway. Each car weighs 4,000 lb., and is 24 ft. long, 2 ft. high, and 3 ft. wide; so each 14-car train is 336 ft. long. Designed by the Highway Commission and made by Whiting Corp., of Harvey, Ill., the trains are of welded steel, armored with heavy guard rails.

The trains ride on rails that are sunk, at the entrances, to roadway

level. A cable, hooked to the end car, and powered by an electric motor under ground, pulls the train across or away from the entrance. It is worked by a state highway employee from a switch box.

For safety, the trains have four continually flashing lights on each car, and a warning siren that howls when the train is moving into position. A system of overhead signals tells motorists whether the reversible center lanes are open.

**Saving.** Without the trains, says a state highway engineer, the expressway would have needed five lanes in each direction. All five trains cost a total of about \$350,000 installed.

# Portable Device Beams Neutrons

New generator promises a low-cost analytic tool for research and industry, with applications also in hospital treatments and in oceanographic studies

A low-cost, portable device for research and industry that generates a beam of neutrons has been developed by Well Surveys, Inc., a subsidiary of Dresser Industries, Inc. Priced around \$3,000, it runs off an ordinary 115-volt a.c. current, can be turned off and stored without safety precautions.

A neutron beam is a useful analytic tool because various elements become activated when hit by a stream of neutrons; and measuring the degree of activity provides information about the elements present in a material.

In the past, claims Dresser, the only sources of neutrons were expensive, permanently installed laboratory accelerators; large, even more expensive nuclear reactors; or capsules containing dangerous isotopes that must be carefully handled.

**How it works.** The heart of Well Surveys' neutron generator is a special tube that the company developed filled with deuterium (an isotope of hydrogen). When the current is turned on, the deuterium is ionized, and a stream of ions bombards a target made of titanium and tritium (another isotope of hy-

drogen) at one end of the tube.

The reaction between the deuterium ions and the tritium causes a beam of neutrons to shoot out. Output of neutrons is about 100-million per second.

**What it can do.** Here are some applications Well Surveys sees for its portable neutron generator:

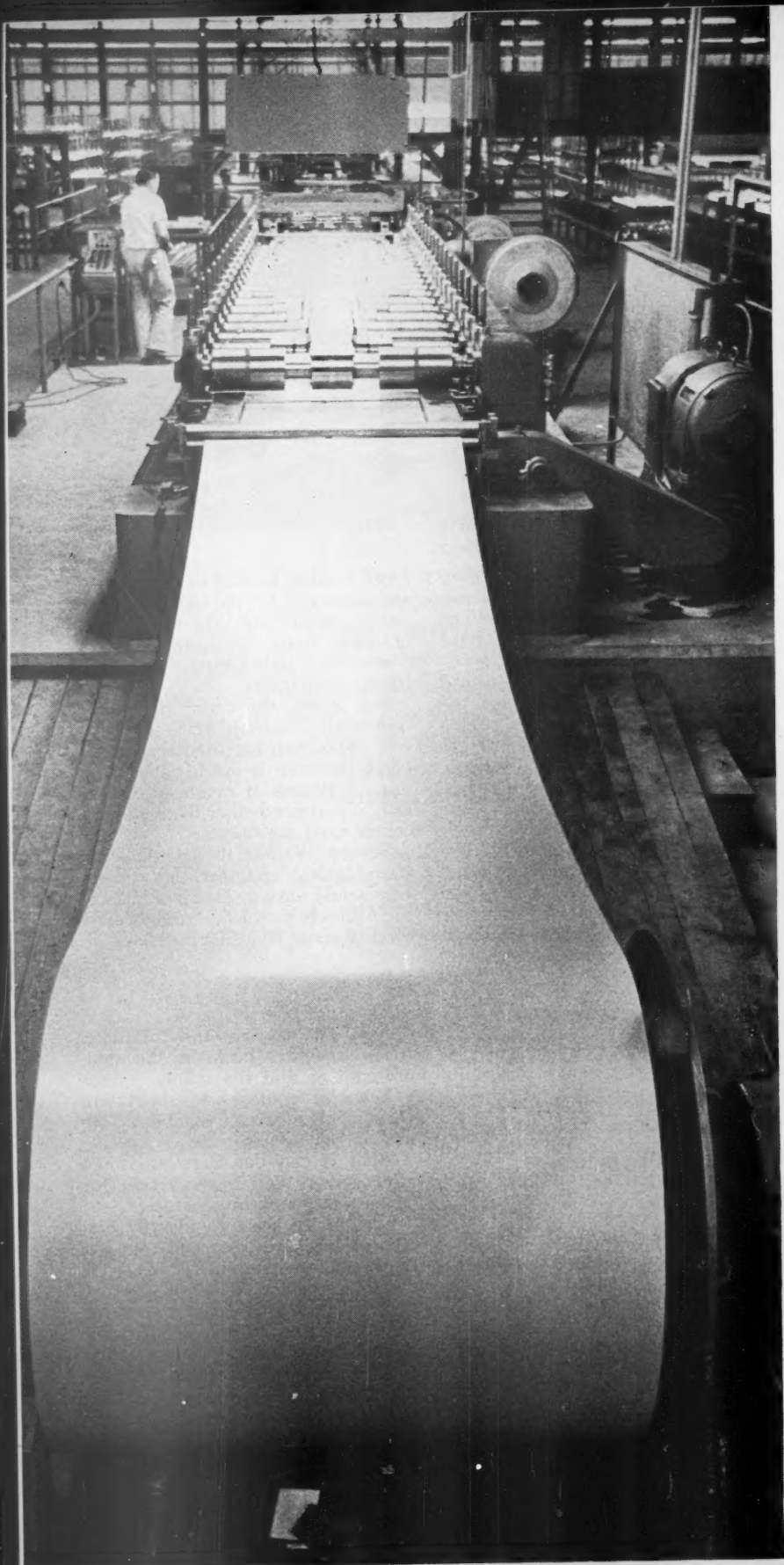
- It can be used to identify elements such as oxygen and nitrogen in organic compounds.

- In a hospital, it would provide neutrons for the treatment of tumors.

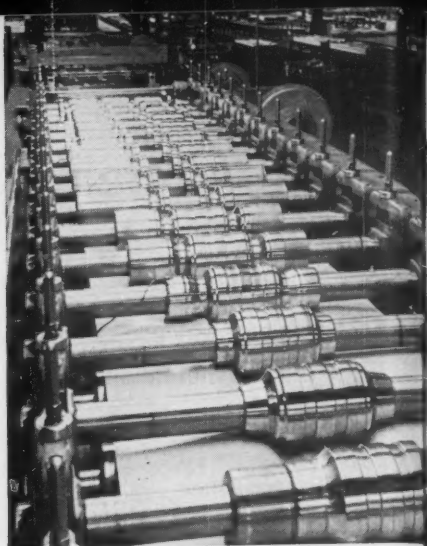
- In industry, it can be used for nearly instantaneous determination of the amounts of certain elements in mixtures and alloys; it can control mixing processes by means of radioactive tracers; and it will accurately locate interfaces between dissimilar materials.

- In oceanography, it can be used to analyze parts of the ocean bottom, and to measure chlorinity.

- It is a valuable tool for teaching nuclear physics. **End**



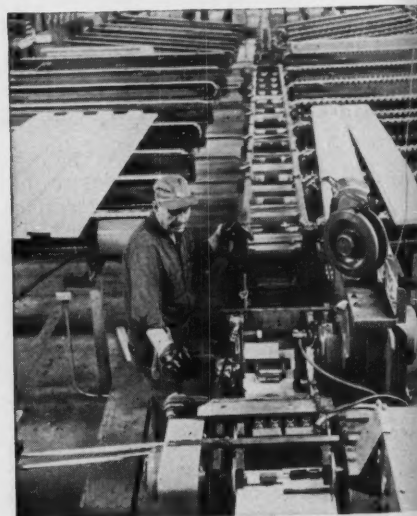
At Butler plant in Galesburg, Ill., side panels are formed from metal coil . . .



... that runs through rolling mill.



Panels to be insulated go to stitcher . . .



... which sews up outer, inner layers.

# Fight for prefab building market

**Butler Mfg. Co., top manufacturer of ready-made industrial structures, relies on new designs and knowhow to meet challenge of aggressive steel company subsidiaries**

The factory in the pictures makes a product that no manufacturer can really be without—other factories. The plant, which belongs to Butler Mfg. Co. of Kansas City, also produces schools, supermarkets, bowling alleys, and a whole community of other industrial, commercial, and institutional buildings.

Butler's field is "pre-engineered" or prefabricated metal construction—a \$250-million-a-year industry that turns out pre-cut, rib-type paneling and other construction components that can be assembled on a customer's site into almost any size or shape imaginable. According to one estimate, sales of these building blocks have increased 25% a year for the last three years, on their way to a potential \$1-billion-a-year market.

Today's pre-engineered building is a whole generation removed from its rustic, unglamorous tin-shed ancestor. Prefabs now are just as fancy as conventional construction, they go up faster, and they're often—though not always—cheaper to build.

## I. Competitive battle

As the buildings have changed and the market has expanded, the competition has grown hotter. Right now Butler is the country's largest building prefabber, but it faces some stiff challenges—particularly from steel producers, who have been turning more toward end-product merchandising.

In its fight to stay on top, Butler—really a fabricator at heart—is bucking three steel company subsidiaries: National Steel Corp.'s Stran-Steel Corp. (BW—Aug. 13 '60, p120), Armco Drainage & Metal Products, Inc., of Armco Steel Corp., and Inland Steel Co.'s Inland Steel Products Co.

Thanks to their bloodlines, these companies, of course, are well bankrolled and, unlike Butler, almost fully integrated, making nearly everything from the raw steel to the finished end product.

**An old feud.** Actually, Butler has been competing with Armco for over 40 years and with National Steel for

over 20. However, it has only been within the last four years or so—with a restyling of their buildings and a strengthening of their distribution networks—that the two started breathing down Butler's neck.

In 1960, Butler's sales were 70% above what they were in 1955. Last year's sales by Armco and National Steel, however, averaged 150% higher than their 1955 volume, and their business this year should even top that. "Over the last few years," says Harold A. Edlund, Butler's vice-president of marketing, "the competition has been ruthless."

Inland is somewhat of a latecomer to the field. It produced a prefabricated, farm-type building as early as 1954, but didn't really get into the much broader, non-farm market until 1959 when it acquired the Metal Building Div. of Steelcraft Mfg. Co. in Cincinnati. Last year, says Robert Uhen, manager of marketing administration for Inland Steel Products Co., Inland's sales of pre-engineered metal buildings were up 300% from 1958, and this year they're expected to finish 400% higher than in 1958.

**Who has what?** Today, Butler

probably has about 26% of the metal building business. National Steel and Armco are hot on its heels with 15% to 17% each. Inland has about 10%. The rest of the market is split up among 50 or 60 other low-overhead, local or area-type fabricators.

These local fabricators thrive mainly in the Southwest, where there's no snow load to worry about. Though they aren't vertically integrated, as Butler's steel competitors are, they do have a transportation edge: They don't have the long hauls to contend with that their national competitors do.

These companies are far from being vest-pocket operations. Some, like Rheem Mfg. Co.'s new Building Div., acquired from Calcor Corp. last November, are broadening into strong regional competitors. Other fabricators—such as Wonder Building Corp. of America—are threatening to invade the national ranks. Presently, however, Butler considers all these companies a less direct threat than the steel companies.

**Butler's strategy.** All this raises a big question: Can a non-integrated company like Butler really hold its



**Factory** in Banning, Calif., which was assembled from pre-cut panels and other building components, typifies modern structures Butler is geared to turn out.



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**We want flexibility to innovate—to pioneer unusual designs and non-traditional concepts . . .**

Story on page 146

own against vertically integrated competitors that are just as tough and aggressive? Although some industry observers are dubious, Butler is confident that it can hold onto its lead.

Butler's strategy is to turn what looks like a glaring liability—its lack of vertical integration—into a gleaming asset. As a basically captive market for their parent companies, the steel subsidiaries, of course, tend to be tied down to steel. Butler doesn't have these ties, so it feels free to diversify within the metal building field—to new materials, new designs, and the like.

Butler has done this for years in other fields. Though metal buildings are still its bread and butter, they probably account for only \$55- to \$65-million of its \$80-million-a-year volume. The rest comes from a diversity of fabricated metal products, ranging from storage bins and highway billboards to huge truck tanks for hauling liquid and dry bulk commodities.

**Flexibility.** "Our main thought is to keep nimble," says Butler Pres. John A. Morgan. "We want flexibility to innovate—to pioneer unusual designs and nontraditional concepts in architecture, using new materials other than steel." Butler engineers talk glowingly of the future for plastics, aluminum, glass, urethane foams, and—in their headier moments—geodesic domes and scalloped, pre-stressed concrete shells or canopies.

Armco, Inland, and National Steel are also experimenting with non-steel materials, but more with the idea of embellishing, rather than replacing, their steel structures.

### II. In the factory

Butler is pushing this same strategy—adopting new and advanced features—in its manufacturing operations, too. At the same time, Butler realizes it must keep costs in extremely close check to compete with companies that are essentially making their own steel. One big problem, though, is that there are few "exclusives" in this business anymore—either in design or production. The four companies frequently adopt and improve on each other's ideas.

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SOURCE: a 1960 survey of newspaper business editors by Crossley, S-D Surveys, Inc.

Butler became the first in the industry to mass-produce "rigid-frame" metal buildings—with straight side-walls and no inside pole supports—in 1943. After the war, almost all of Butler's local and national competitors followed suit. The big exception was National Steel, which found a sizable, postwar market for its wartime Quonset hut. When the Quonset hut market started fading, National Steel moved into rigid-frame buildings.

**Production secret.** Where newer production features do exist in the industry, they're guarded jealously. One example is Butler's production line for purlins—the horizontal members that support the rafters. These are produced automatically in a machine that takes heavy gauge steel coil in one end and disgorges the finished, painted purlins at the other. Butler hides its machine from prying eyes—and cameras—under a sheet metal shroud.

Just how unique Butler's machine is, though, no one else really knows. Armco has had a fully automatic purlin line for several years. "Until Butler takes the wraps off the thing," says D. H. Malcom, building sales manager of Armco Drainage & Metal Products, "who can really say what it has or hasn't got?"

It doesn't take long for almost everyone in the industry to climb on one of these bandwagons. Butler claims it was the first building maker to go to a factory roller-coating system to paint its steel wall panels. That was in 1959. Now, several other prefabbers have the same thing. With roller-coating, steel or aluminum coil is coated with a roller that spreads the paint on evenly at just the right thickness. The paint is baked dry, then the metal is recoiled and, at Butler, sent through an 18-stand rolling mill for forming. Butler insists this is the only way to get an even, truly uniform coating on the panel.

National Steel disagrees; it pioneered factory coatings in 1958, claims its system tops anything Butler has. Certainly, it's more intricate. At National Steel's plant, wall panels are formed, then painted. The panels move through three separate spray gun stands—the last one a fast, fancy, carousel-type arrangement that sweeps up and around all the corners and sides of the panel. From the painting line, the panel goes through a "flash-off" chamber that evaporates the solvents, then into baking, and finally through a 300-ft. cooling chamber that brings it down to room temperature for packing and shipment. National Steel says the carousel painting insures a



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uniform 1.25-mil minimum thickness for the coat.

**Long-term guarantees.** One clear edge that Butler does have—at least, psychologically—is the 20-year guarantee it offers on its aluminum roofs. This is the first in the industry—though one steelmaker says that Butler is merely passing on a guarantee it receives from its aluminum suppliers. Butler also gives a 20-year guarantee on its plastic skylight panels.

This skylight guarantee came after Butler licked a weatherproofing problem that still has several others in its field stumped. The problem has been that the outer surface of the plastic wears away after a certain length of time. This exposes the matted, white ends of the glass fibers that are sealed in the plastic, and they start blooming. Not only does this spoil the plastic's appearance, but it cuts down on light transmission.

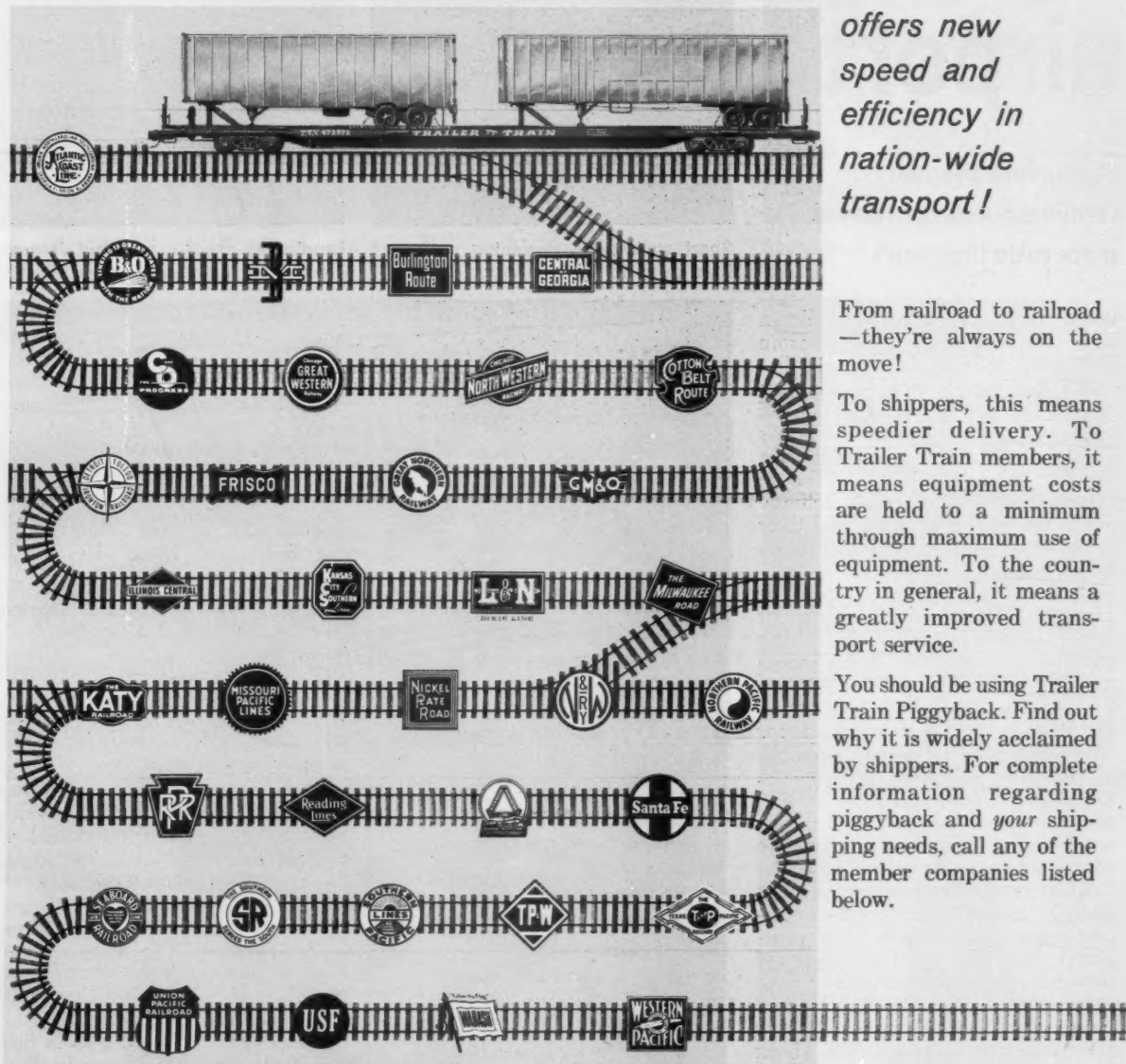
Butler worked with chemical companies, and came up with a compound that solved its troubles. "We're working on the same thing, however, and it shouldn't be much longer before we have it," says one of the steel companies.

**Distributing.** The one big thing the steel companies don't have yet, according to Butler, is a large, tight-knit dealer network that can compete in scope with Butler's. In the U.S. and Canada, Butler has 350 franchised dealers, and is banking heavily on these dealers to keep it on top.

The government might also slow the steel companies down. Stran-Steel was slapped with an antitrust suit shortly after its 1959 acquisition of Houston's Metallic Building Co., one of the largest of the local-type prefabbers. Before its acquisition, Metallic Building alone accounted for roughly 5% of the market, according to one estimate. This week, the suit was still pending in the Federal District Court in Houston. Which-ever way the decision goes it's almost a sure bet that the steel companies will move a little more cautiously in the future.

"Who gets on top and stays there in this business really comes down to three things—flexibility, manufacturing knowhow, and a tight, heavy dealer organization," says Wilbur Larkin, vice-president and general manager of Butler's Buildings Div. "We're the only one in the field that has all three. We just don't think anyone can catch us." A few others in the industry aren't so certain. "One thing is sure," commented a steelman last week, "it's going to be a real, hot fight." **End**

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# TRAILER TRAIN

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# Office at the airport

Flying businessmen find terminal hotels convenient place to do their work

When U. S. cities plopped down their airports miles away from downtown, they made it certain that hotels and motels would spring up around the airfields—and siphon off business from downtown hotels. As a later byproduct, which no one foresaw, they created a brisk battle between hotels and motels actually inside the airport confines, and their competitors outside, whether close by or distantly downtown.

Battle or no, the hostelries in or near the airports are doing a lot better on the average than their downtown confreres. Room occupancy often hits 90% and it's not unusual for it to climb above 100%, compared with the 65% reported for hotels generally last year by Horwath & Horwath, the hotel accountants. Topping the 100% mark, of course, comes from stays of less than a day, not from stacking the travelers like cordwood.

Right now, the industry trend is sharply toward the inside-the-airport-fence type, which have prospered mightily with an icing of business-conference occupancy atop the staple between-flights and weather-grounded customers. Where they can, the outsiders fight back both by politicking and by charging that the insiders have unfair or even illegal commercial advantages.

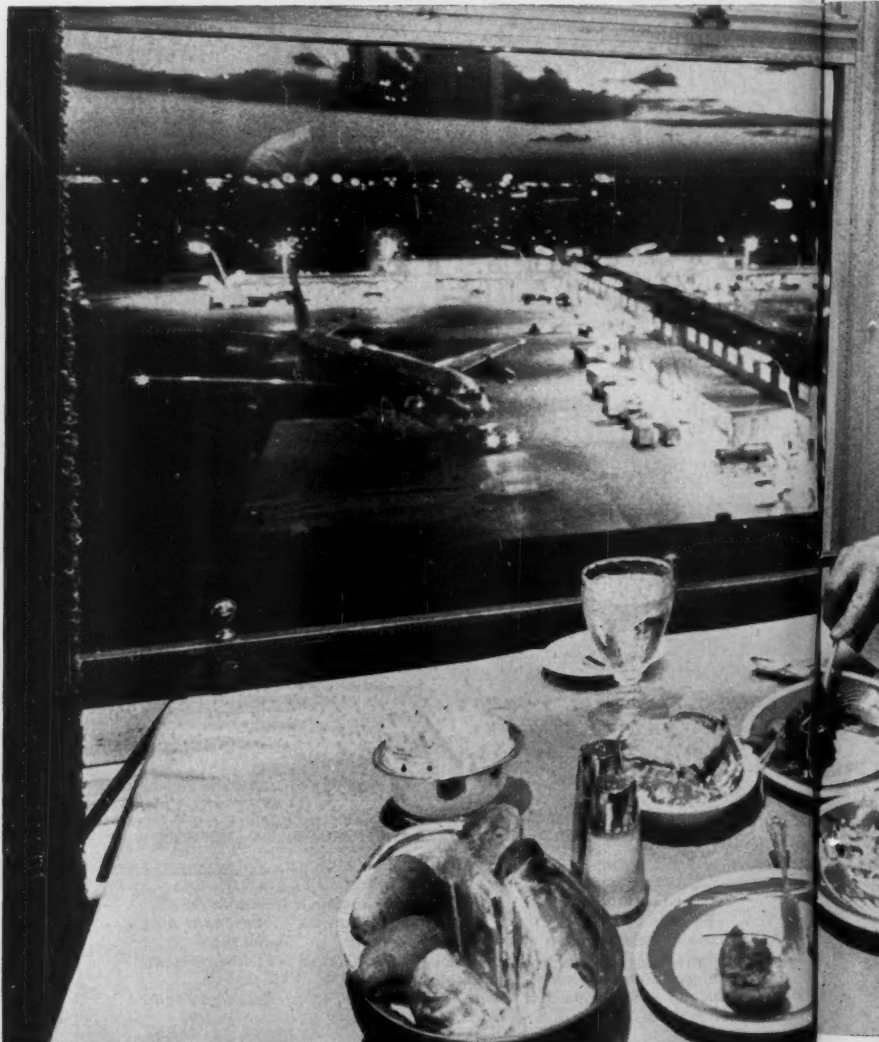
**Legal fight.** When Saul S. Cohen talked Miami's Port Authority into calling for bids for a hotel to be built into the terminal building of the new \$25-million airport, operators of motels near the site went to court, claiming that the authority was illegally entering the hotel business. They lost in the state Supreme



Short walk takes deplaning passenger from ramp to Miami's airport hotel.



Landing to check-in takes but a few minutes. Here F. W. Johnston, General Electric service manager, in airport lobby.



After conferences with local GE men in the hotel's meeting rooms, Johnston has dinner at the Sky Room restaurant, where view of busy airfield makes up for lack of entertainment. V never e



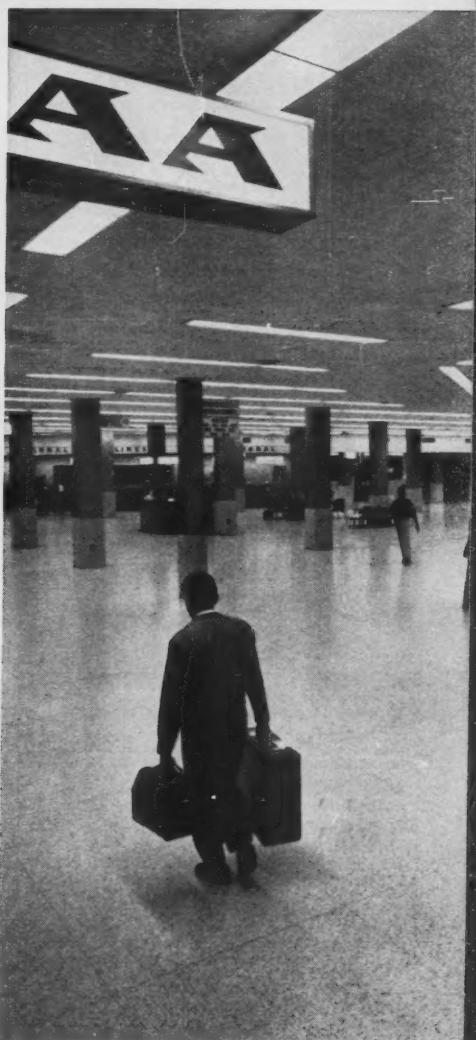
...minutes...  
...c serv...  
ice manager, checks in on his monthly trip from Jacksonville headquarters. Airport lobby can be seen at rear.



**Soundproof** room, dual windows shield busy Johnston from noises of jets.



...linne...  
...ertain...  
ment. Visiting businessmen like Johnston often stick entirely to air terminal hotels, never even see a city's downtown.



**Bellboy** carries Johnston's bags directly from his room to airline counter.

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Court, and eventually Cohen's Airways Hotels, Inc., was the successful bidder. Now, 14 months after it opened, the hotel (pictures, pages 154 and 155) is a "fantastic success," says Cohen.

On rare occasions, the outsiders win. Take the case of Los Angeles, where two years ago the builder, Del Webb, best known as co-owner of the New York Yankees, tried to run up a hotel on airport land. The city's hotels—including three major ones near the airport, the Hyatt House, Ramada Inn, and Thunderbird International—promptly kicked up a storm. Eventually, the Airports Dept. shelved the project. The official reason: Construction of the hotel would interfere with work on the airport itself.

The outsiders aren't doing that well in Chicago, where hotel owners are lobbying hard—but vainly, so far—against a bill in the Illinois legislature that would allow the city to lease land at O'Hare Airport to the Hilton Hotels Corp. Owners of the 22 motels that lie within four miles of the airport are active in the fray. One attack centers on the point that Hilton would get a 40-year lease without competitive bidding; the city retorts the deal would be a concession, and so require no bidding.

In Boston, outsider rivals of the Logan Airport Motel, Inc., keep up a steady sniping because the insider leases its site from the Massachusetts Port Authority and so has no land taxes to pay.

**Evolution.** The present rather fancy establishments inside and just outside the airports have evolved from meager origins. In the early days of commercial flying a few rather spartan motel rooms were built outside the airports to take care of travelers stranded for too brief a time to go anywhere else.

Gradually, the more plush motels began to add such luxury hotel trimmings as dining, dancing, recreation. Some airports set up on their own premises accommodations somewhat comparable to railroad roomettes, where people could nap or freshen up right in the terminal, as at Baltimore's Friendship Airport and at Portland, Ore. Then hotels, and occasionally motels, sprang up on airport property, as at New York's Idlewild. The final development—a hotel incorporated into the actual terminal building—was pioneered in Pittsburgh nine years ago but is just catching on now.

All these facilities are the lineal descendants of the inns that dotted the old stagecoach routes. Travelers have always had to eat and sleep, and transportation terminals have al-

ways attracted assorted hostelries—such as the variety of hotels that were built around New York's Grand Central Terminal and Pennsylvania Station.

The inside-the-airport hotel has achieved an advantage never held by any of its ancestors, just because it is inside and has a monopoly franchise. When the hotel is part of the terminal building as in Pittsburgh, Boston, and Miami, the advantage is all the sharper.

**Stopovers.** Obviously, travelers pausing between flights are the backbone of the airport hotel's trade. Sometimes, a special factor helps, as it does for Miami's Airways Hotel, Inc., which thrives on passengers en route between the U.S. and South America. On these long flights centering at Miami, a majority of incoming planes arrive near nightfall, a majority of them take off in the morning. In between, people need a place to sleep.

Top-level businessmen—top level enough to be able to summon other people to conferences—are another source of airport hotel trade. Increasingly, the businessman on the road doesn't go near downtown any more. He holes up at the airport hotel, and lets the local Mahomets come to him in the interval before his plane departs. Hotels are reciprocating by setting up increased conference facilities. The three near-the-airport hotels in Los Angeles rent almost 90% of their rooms to businessmen.

The airline industry itself provides some steady customers for the airport hotels, with crews between flights, and some sporadic ones with delayed passengers who have to be taken care of. Much of this business is at cut rates, but it can help. For example, Los Angeles' Hyatt House provides rooms for laid-over crews of two airlines, United and Real, and the trainees of another, Western.

**Road traffic.** A rather surprising source of business is just plain old highway traffic—tourists passing by and sightseers who want an extra-long look at the flying machines. At very least, the highways provide 2% of business, and the figure runs on up to better than 20% at the Hilton Inn, at San Francisco's International Airport, which happens to be adjacent to a major freeway.

With these sources of visitors, the airport hotels report that the average stay is much shorter than in other hostelries. One day is about the standard, though a very few airport hotels report a two-day average. Boston's 94-room Airport Motel, always full up, says "it's very rare that any client stays more than one night." A lot of them stay less than

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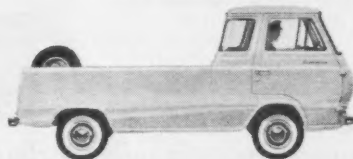
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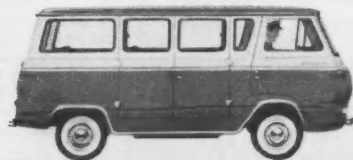
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that, which means that a single room can have two or three different occupants in a day. That's why the Avis Penthouse, on the third floor of Detroit's Metropolitan Terminal, has occupancy rates as high as 125%. At Cleveland, the Hopkins Airport Hotel, which averages a modest 85-90% occupancy, hits up to 110% in bad flying weather.

**Wide appeal.** The tremendous success of hotels both in or near the airports has attracted considerably more than just professional hotel operators. Avis Rent-a-Car operates the Penthouse in Detroit, a hotel near Chicago's Midway Airport, and is building a third at O'Hare Field. The McCulloch Corp., a diversified manufacturer, two weeks ago announced plans for an 800-room hotel on a 60-acre site near Los Angeles Airport. This one will offer all the facilities of a lush downtown hotel.

The business also attracts the old pros, of course. A division of Hilton Hotels opened an inn at the San Francisco Airport in 1959, and has already started a \$1-million expansion.

Miami's Saul Cohen is also something of a pro, having operated hotels in Miami Beach. His Airways Hotels, Inc., started with the 270-room set-up in the Miami airport, and is now building a 12-room hotel at the Birmingham airport. He has just signed up with the Federal Aviation Agency to build a \$3.5-million, 240-room hotel in Washington's Dulles International Airport.

Once Cohen and the Port Authority had broken through the thorny legal hedge raised by the outsider motels, their path was most rose-strewn. For the first year of operation, the occupancy rate was 91%, and it climbed last winter to 100% or better; room rentals topped \$1-million, with the bar and restaurant adding another \$500,000. Cohen won't give figures on his net, but others estimate it as around \$300,000.

To win the 25-year lease that makes this bonanza possible, Cohen agreed to pay the Port Authority 25% of annual gross room rents up to \$1-million, and 35% thereafter, plus 8.5% on food sales and 13% on beverages. For 1960, this meant \$325,826 for the authority.

Room rents are on a sliding scale from \$10 to \$22, depending on the season, the frequency of customer's visits, and the hours he stays. The hotel offers few of the services available in lush places, no entertainment and no swimming pool—a real oddity in Miami. "If they want entertainment," Cohen says, "we tell them to take a cab into the city." **End**

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# In foreign policy: stop, look, listen

BW

There is a mood of grave apprehension among thoughtful people in this country over the trend of international events in recent months and the failure of the Kennedy Administration to come to grips with the reality of today's world.

Pres. Kennedy, to be sure, has been caught up in a rush of events abroad since the day he moved into the White House. But this mitigating circumstance can scarcely be a source of comfort either to him or the nation. Now that the Communists have the U.S. off balance, they obviously intend to make the pace of events even faster.

It has become painfully evident that when the Administration took office it greatly underestimated the complexity of our international problems and the strength of our opponents. As a result it has been unprepared for the succession of misfortunes it has encountered. It has had a tendency to shoot from the hip, with little regard for the broad implication of its actions.

In the Administration's approach to world affairs, there has been no discernible pattern—no indication that it has a tenable and sustainable foreign policy. Yet in the midst of its uncertainty, and with no adequate preparation, the President committed himself to a summit conference with Soviet Premier Khrushchev. Is it any wonder that thoughtful people are concerned?

These clearly are times when politics should stop at the water's edge. To its credit the Republican opposition has observed this rule up to now. It has shown remarkable restraint in not making political capital out of the Administration's stumbling in Cuba and Laos. This restraint is the more remarkable in view of the way Kennedy used the issue of U.S. prestige in last fall's election campaign.

## Reassessment

However, if past differences are really to be put aside and the nation is to be united on foreign policy, the Administration will have to stop, look, and listen. It should immediately launch a complete reappraisal of our assets and our liabilities in the world. The need is particularly urgent in the military area, but we must also examine our economic strengths and weaknesses.

In the light of recent events, it has become increasingly clear that, whether by miscalculation or inadvertence, we now are in an intolerable military position at a number of points on the periphery of the Communist bloc. Since our forces are overextended, there is only one recourse open to us. We must shorten our lines.

No question of false pride should now be allowed to stand in the way of an appropriate disposition of our military strength—one that leaves us in a position where there can be no room for doubt about our will and ability to defend vital interests.

It is also necessary for Washington to face up to the

unpleasant fact that the revolutionary movements now sweeping half the world are probably more susceptible to Communist influence than to ours. Since World War II we have recognized the strength of nationalism in Asia, the Middle East, and Africa, and now we begin to understand it in Latin America. But we have refused to acknowledge the fact that in many underdeveloped nations of the world, including a number in Latin America, the Communist approach to economic development, with its promise of rapid results, has more appeal than our own.

Until we face this fact, and put a new order of priorities on the development aid we grant, our economic aid program will make no sense at all in terms of our basic interests. What we need at this point is a realistic assessment of which nations can be expected to stay aligned with us economically—though they may be politically neutral. This is where our aid must be concentrated. To think that we can gain any benefit by continuing aid to nations already committed to take the Communist route is pure illusion.

## First things first

As a starting point in our reappraisal of foreign policy, we must recognize that the cradle and citadel of freedom in this world is in North America and Western Europe. For all our differences—and they are serious—the nations of this area have the same interests, political and economic, in resisting Communism.

No matter what happens elsewhere we must maintain the Atlantic Community as the unassailable refuge of human rights. Only if we do this will it be possible to keep other friendly nations such as Japan, India, and even Brazil out of the Communist orbit. We trust that the President will have come to the same conclusion before he sets off next week to talk first with Pres. de Gaulle, then Premier Khrushchev, and finally Prime Minister Macmillan.

Our back may not be quite against the wall. But we are in the greatest crisis of foreign policy this country has known since it gained its independence.

The Administration can no longer afford to indulge either in the pretensions of its first three months in office or the improvisations of the past few weeks. It must immediately begin to formulate a foreign policy that this country has the capacity to sustain. To help in this task, the President should call on the members of his Cabinet and the wisest people he can find in private life, regardless of their political affiliation.

If the Administration rises in this way to meet the present crisis, we have no doubt that U.S. foreign policy can be put on a realistic course and that the American people will respond with whatever effort is needed to meet the growing threat to our survival as a free nation.

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